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

# FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2021

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: 001-15911

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

| **Delaware** | **52-1256615** |
|---|---|
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification Number) |

**997 Lenox Drive, Suite 100,**
**Lawrenceville**, **NJ 08648**
(Address of principal executive offices)

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

**NA**
(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act

| Title of each class | Trading symbol(s) | Name of each exchange on which registered |
|---|---|---|
| Common stock, par value $0.01 per share | CLSN | Nasdaq Capital Market |

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 ☐

Indicate by check mark whether the Registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit such files). Yes ☒ No ☐

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

Large accelerated filer ☐
Non-accelerated filer ☐
Emerging growth company ☐
Accelerated filer ☐
Smaller reporting company ☒

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

As of November 12, 2021, the Registrant had 86,557,736 shares of common stock, $0.01 par value per share, outstanding.

**CELSION CORPORATION**
**QUARTERLY REPORT ON**
**FORM 10-Q**

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**Cautionary Note Regarding Forward-Looking Statements**

This report includes "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). All statements other than statements of historical fact are "forward-looking statements" for purposes of this Quarterly Report on Form 10-Q, including, without limitation, any projections of earnings, revenue or other financial items, any statements of the plans and objectives of management for future operations (including, but not limited to, pre-clinical development, clinical trials, manufacturing and commercialization), uncertainties and assumptions regarding the impact of the COVID-19 pandemic on our business, operations, clinical trials, supply chain, strategy, goals and anticipated timelines, any statements concerning proposed drug candidates, potential therapeutic benefits, or other new products or services, any statements regarding future economic conditions or performance, any changes in the course of research and development activities and in clinical trials, any possible changes in cost and timing of development and testing, capital structure, financial condition, working capital needs and other financial items, and any statements of assumptions underlying any of the foregoing. In some cases, forward-looking statements can be identified by the use of terminology such as "may," "will," "expects," "plans," "anticipates," "estimates," "potential" or "continue," or the negative thereof or other comparable terminology. Although we believe that our expectations are based on reasonable assumptions within the bounds of our knowledge of our industry, business, and operations, we cannot guarantee that actual results will not differ materially from our expectations.

Our future financial condition and results of operations, as well as any forward-looking statements, are subject to inherent risks and uncertainties, including, but not limited to, the inherent uncertainty in the drug development process, our ability to raise additional capital to fund our planned future operations, our ability to obtain or maintain FDA and foreign regulatory approvals for our drug candidates, potential impact of the outbreak, duration and severity of the COVID-19 pandemic on our business, our ability to enroll patients in our clinical trials, risks relating to third parties conduct of our clinical trials, risks relating to government, private health insurers and other third-party payers coverage or reimbursement, risks relating to commercial potential of a drug candidate in development, changes in technologies for the treatment of cancer, impact of development of competitive drug candidates by others, risks relating to intellectual property, volatility in the market price of our common stock, potential inability to maintain compliance with The Nasdaq Marketplace Rules and the impact of adverse capital and credit market conditions. These and other risks, assumptions are described in Item 1A. Risk Factors in our Annual Report on Form 10-K for the fiscal year ended December 31, 2020 and in other documents that we file or furnish with the SEC. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those indicated or anticipated by such forward-looking statements. All forward-looking statements speak only as of the date they are made and we do not intend to update any forward-looking statements, except as required by law or applicable regulations. We operate in a highly competitive, highly regulated, and rapidly changing environment and our business is in a state of evolution. Therefore, it is likely that new risks will emerge, and that the nature and elements of existing risks will change, over time. It is not possible for management to predict all such risk factors or changes therein, or to assess either the impact of all such risk factors on our business or the extent to which any individual risk factor, combination of factors, or new or altered factors, may cause results to differ materially from those contained in any forward-looking statement.

Except where the context otherwise requires, in this Quarterly Report on Form 10-Q, the "Company," "Celsion," "we," "us," and "our" refer to Celsion Corporation, a Delaware corporation and its wholly owned subsidiary CLSN Laboratories, Inc., also a Delaware corporation.

**Trademarks**

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

**PART I: FINANCIAL INFORMATION**

**Item 1. FINANCIAL STATEMENTS**

**CELSION CORPORATION**

**CONDENSED CONSOLIDATED BALANCE SHEETS**

| | September 30, 2021 (Unaudited) | December 31, 2020 |
|---|---|---|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | $ 25,648,849 | $ 17,164,177 |
| Investment in debt securities - available for sale, at fair value | 28,864,364 | – |
| Accrued interest on investment in debt securities | 38,404 | – |
| Advances and deposits on clinical programs and other current assets | 2,213,262 | 1,660,695 |
| Total current assets | 56,764,879 | 18,824,872 |
| Property and equipment (at cost, less accumulated depreciation and amortization) | 486,022 | 294,551 |
| Other assets: | | |
| Money market investments, restricted cash | 6,000,000 | – |
| Deferred income tax asset | – | 1,845,823 |
| In-process research and development, net | 13,366,234 | 13,366,234 |
| Goodwill | 1,976,101 | 1,976,101 |
| Operating lease right-of-use assets, net | 816,520 | 1,047,336 |
| Other intangible assets, net | – | 113,660 |
| Deposits and other assets | 58,761 | 58,761 |
| Total other assets | 22,217,616 | 18,407,915 |
| Total assets | $ 79,468,517 | $ 37,527,338 |

**See accompanying notes to the condensed consolidated financial statements**.

**CELSION CORPORATION**

**CONDENSED CONSOLIDATED**
**BALANCE SHEETS**
**(Continued)**

| | September 30, 2021 | December 31, 2020 |
|---|---|---|
| | **(Unaudited)** | |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable – trade | $ 2,615,992 | $ 2,244,847 |
| Other accrued liabilities | 2,824,788 | 2,458,532 |
| Notes payable – current portion, net of deferred financing costs | – | 1,116,663 |
| Operating lease liability - current portion | 534,256 | 433,413 |
| Deferred revenue - current portion | 500,000 | 500,000 |
| Total current liabilities | 6,475,036 | 6,753,455 |
| | | |
| Earn-out milestone liability | 7,345,000 | 7,018,000 |
| Notes payable – non-current portion, net of deferred financing costs | 5,808,774 | 3,934,497 |
| Operating lease liability - non-current portion | 373,526 | 710,305 |
| Deferred revenue - non-current portion | 125,000 | 500,000 |
| Total liabilities | 20,127,336 | 18,916,257 |
| | | |
| Commitments and contingencies | – | – |
| | | |
| Stockholders' equity: | | |
| | | |
| Preferred Stock - $0.01 par value (100,000 shares authorized, and no shares issued or outstanding at September 30, 2021 and December 31, 2020) | – | – |
| Common stock - $0.01 par value (112,500,000 shares authorized; 86,558,070 and 40,701,356 shares issued at September 30, 2021 and December 31, 2020, respectively, and 86,557,736 and 40,701,022 shares outstanding at September 30, 2021 and December 31, 2020, respectively) | 865,581 | 407,014 |
| Additional paid-in capital | 387,106,934 | 330,289,596 |
| Accumulated other comprehensive loss | 2,139 | – |
| Accumulated deficit | (328,548,285) | (312,000,341) |
| Total stockholders' equity before treasury stock | 59,426,369 | 18,696,269 |
| | | |
| Treasury stock, at cost (334 shares at September 30, 2021 and December 31, 2020) | (85,188) | (85,188) |
| Total stockholders' equity | 59,341,181 | 18,611,081 |
| | | |
| Total liabilities and stockholders' equity | $ 79,468,517 | $ 37,527,338 |

**See accompanying notes to the condensed consolidated financial statements**.

**CELSION CORPORATION**

**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**
**(Unaudited)**

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| Licensing revenue | $ 125,000 | $ 125,000 | $ 375,000 | $ 375,000 |
| Operating expenses: | | | | |
| Research and development | 2,468,066 | 2,491,696 | 7,633,051 | 8,534,606 |
| General and administrative | 2,718,510 | 1,792,904 | 8,258,271 | 5,532,946 |
| Total operating expenses | 5,186,576 | 4,284,600 | 15,891,322 | 14,067,552 |
| Loss from operations | (5,061,576) | (4,159,600) | (15,516,322) | (13,692,552) |
| Other (expense) income: | | | | |
| Loss from change in fair-value of earn-out milestone liability | (257,000) | (1,099,721) | (327,000) | (1,397,291) |
| Impairment of in-process research and development | – | (2,370,257) | – | (2,370,257) |
| Investment income | 3,552 | 10,114 | 5,614 | 119,383 |
| Interest expense | (95,520) | (450,732) | (474,361) | (1,130,699) |
| Recognized loss on extinguishment of debt | – | – | (234,419) | – |
| Other (expense) income | – | (1,400) | (1,456) | 7 |
| Total other (expense) income, net | (348,968) | (3,911,996) | (1,031,622) | (4,778,857) |
| Net loss | $ (5,410,544) | $ (8,071,596) | $ (16,547,944) | $ (18,471,409) |
| Net loss per common share | | | | |
| Basic and diluted | $ (0.06) | $ (0.24) | $ (0.21) | $ (0.62) |
| Weighted average shares outstanding | | | | |
| Basic and diluted | 86,557,736 | 34,112,254 | 79,667,613 | 29,934,764 |

**See accompanying notes to the condensed consolidated financial statements.**

**CELSION CORPORATION**

**CONDENSED CONSOLIDATED**
**STATEMENTS OF COMPREHENSIVE LOSS**
**(Unaudited)**

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| Other comprehensive (loss) gain | | | | |
| Changes in: | | | | |
| Realized (gains) losses on debt securities recognized in investment income, net | $ 2,736 | $ (7,257) | $ 4,521 | $ (53,354) |
| Unrealized (losses) gains on debt securities, net | 3,173 | (609) | (2,382) | 10,576 |
| Change in unrealized (losses) gains on available for sale securities, net | 5,909 | (7,866) | 2,139 | (42,778) |
| Net loss | (5,410,544) | (8,071,596) | (16,547,944) | (18,471,409) |
| Comprehensive loss | $ (5,404,635) | $ (8,079,462) | $ (16,545,805) | $ (18,514,187) |

**See accompanying notes to the condensed consolidated financial statements**.

**CELSION CORPORATION**

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)**

| | Nine Months Ended September 30, | |
|---|---|---|
| | 2021 | 2020 |
| Cash flows from operating activities: | | |
| Net loss | $ (16,547,944) | $ (18,471,409) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Depreciation and amortization | 542,740 | 572,065 |
| Change in fair value of earn-out milestone liability | 327,000 | 1,397,291 |
| Recognition of deferred revenue | (375,000) | (375,000) |
| Stock-based compensation costs | 3,073,569 | 1,448,202 |
| Deferred income tax asset | 1,845,823 | 1,819,324 |
| Impairment of in-process research and development | – | 2,370,257 |
| Amortization of deferred finance charges and debt discount associated with notes payable | 191,571 | 439,786 |
| Fair value of warrants issued in exchange for services | – | 44,798 |
| Net changes in: | | |
| Accrued interest on investment securities | (38,404) | 21,369 |
| Advances, deposits, and other current assets | (552,567) | (286,991) |
| Accounts payable and accrued liabilities | 397,701 | (866,748) |
| Net cash used in operating activities | (11,135,511) | (11,887,056) |
| Cash flows from investing activities: | | |
| Purchases of investment securities | (40,862,225) | (9,956,892) |
| Proceeds from sale and maturity of investment securities | 12,000,000 | 17,900,000 |
| Purchases of property and equipment | (285,971) | (13,918) |
| Net cash (used in) provided by investing activities | (29,148,196) | 7,929,190 |
| Cash flows from financing activities: | | |
| Proceeds from sale of common stock equity, net of issuance costs | 52,688,945 | 20,250,426 |
| Proceeds from issuance of common stock upon conversion of stock warrants | 1,508,666 | – |
| Proceeds from issuance of common stock upon conversion of stock options | 4,725 | 371,895 |
| Proceeds from the SVB Loan Facility, net of issuance costs | 5,756,630 | – |
| Payoff of the Horizon Credit Agreement and accrued end of term fees | (5,190,587) | (5,200,000) |
| Proceeds from Payroll Protection Program (PPP) loans | – | 1,324,750 |
| Repayments on Payroll Protection Program (PPP) loans | – | (1,324,750) |
| Net cash provided by financing activities | 54,768,379 | 15,422,321 |
| Change in cash, cash equivalents and restricted cash | 14,484,672 | 11,464,455 |
| Cash, cash equivalents and restricted cash at beginning of period | 17,164,177 | 6,875,273 |
| Cash, cash equivalents and restricted cash at end of period | $ 31,648,849 | $ 18,339,728 |

**See accompanying notes to the condensed consolidated financial statements**.

**CELSION CORPORATION**

**CONDENSED CONSOLIDATED**
**STATEMENTS OF CASH FLOWS (continued)**
**(Unaudited)**

| | Nine Months Ended September 30, | |
|---|---|---|
| | 2021 | 2020 |
| Supplemental disclosures of cash flow information: | | |
| Interest paid | $ (307,985) | $ (685,913) |
| | | |
| Cash paid for amounts included in measurement of lease liabilities: | | |
| Operating cash flows from lease payments | $ 418,696 | $ 393,947 |
| | | |
| Common stock issued to settle accrued bonuses | $ – | $ 498,632 |
| | | |
| Fair value of warrants issued in connection with debt facility, net of cancelled warrants | $ – | $ 81,102 |
| | | |
| Realized and unrealized gains (losses), net, on investment securities | $ 2,139 | $ (42,778) |

**See accompanying notes to the condensed consolidated financial statements**.

**CELSION CORPORATION**

**CONDENSED CONSOLIDATED**
**STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**
**(Unaudited)**

**THREE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020**

| Three Months Ended September 30, 2021 | Common Stock Outstanding Shares | Common Stock Outstanding Amount | Additional Paid in Capital | Treasury Stock Shares | Treasury Stock Amount | Accumulated Other Comprehensive Income | Accumulated Deficit | Total |
|---|---|---|---|---|---|---|---|---|
| Balance at July 1, 2021 | 86,557,736 | $ 865,581 | $ 386,414,630 | 334 | $ (85,188) | $ (3,770) | $ (323,137,741) | $ 64,053,512 |
| Net loss | - | - | - | - | - | - | (5,410,544) | (5,410,544) |
| Sale of equity through equity financing facilities | - | - | (8,320) | - | - | - | - | (8,320) |
| Realized and unrealized gains and losses, net, on investments securities | - | - | - | - | - | 5,909 | - | 5,909 |
| Stock-based compensation expense | - | - | 700,624 | - | - | - | - | 700,624 |
| Balance at September 30, 2021 | 86,557,736 | $ 865,581 | $ 387,106,934 | 334 | $ (85,188) | $ 2,139 | $ (328,548,285) | $ 59,341,181 |

| Three Months Ended September 30, 2020 | Common Stock Outstanding Shares | Common Stock Outstanding Amount | Additional Paid in Capital | Treasury Stock Shares | Treasury Stock Amount | Accumulated Other Comprehensive Income | Accumulated Deficit | Total |
|---|---|---|---|---|---|---|---|---|
| Balance at July 1, 2020 | 33,229,380 | $ 332,297 | $ 324,869,780 | 334 | $ (85,188) | $ 7,866 | $ (300,916,593) | $ 24,208,162 |
| Net loss | - | - | - | - | - | - | (8,071,596) | (8,071,596) |
| Sale of equity through equity financing facilities | 2,927,400 | 29,274 | 2,038,553 | - | - | - | - | 2,067,827 |
| Common stock warrants issued in exchange for services | - | - | 44,798 | - | - | - | - | 44,798 |
| Issuance of restricted stock | 3,000 | 30 | (30) | - | - | - | - | - |
| Realized and unrealized gains and losses, net, on investments securities | - | - | - | - | - | (7,866) | - | (7,866) |
| Stock-based compensation expense | - | - | 417,476 | - | - | - | - | 417,476 |
| Balance at September 30, 2020 | 36,159,780 | $ 361,601 | $ 327,370,577 | 334 | $ (85,188) | $ - | $ (308,988,189) | $ 18,658,801 |

**See accompanying notes to the condensed consolidated financial statements.**

**CELSION CORPORATION**

**CONDENSED CONSOLIDATED**
**STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (continued)**
**(Unaudited)**

**NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020**

| Nine Months Ended September 30, 2021 | Common Stock Outstanding Shares | Common Stock Outstanding Amount | Additional Paid in Capital | Treasury Stock Shares | Treasury Stock Amount | Accumulated Other Comprehensive Income | Accumulated Deficit | Total |
|---|---|---|---|---|---|---|---|---|
| Balance at January 1, 2021 | 40,701,022 | $ 407,014 | $ 330,289,596 | 334 | $ (85,188) | $ - | $ (312,000,341) | $ 18,611,081 |
| Net loss | - | - | - | - | - | - | (16,547,944) | (16,547,944) |
| Sale of equity through equity financing facilities | 44,632,547 | 446,326 | 52,242,619 | - | - | - | - | 52,688,945 |
| Shares issued upon exercise of common stock warrants, net of fees | 1,216,667 | 12,166 | 1,496,500 | - | - | - | - | 1,508,666 |
| Shares issued upon exercise of options to purchase common stock | 7,500 | 75 | 4,650 | - | - | - | - | 4,725 |
| Realized and unrealized gains and losses, net, on investments securities | - | - | - | - | - | 2,139 | - | 2,139 |
| Stock-based compensation expense | - | - | 3,073,569 | - | - | - | - | 3,073,569 |
| Balance at September 30, 2021 | 86,557,736 | $ 865,581 | $ 387,106,934 | 334 | $ (85,188) | $ 2,139 | $ (328,548,285) | $ 59,341,181 |

| Nine Months Ended September 30, 2020 | Common Stock Outstanding Shares | Common Stock Outstanding Amount | Additional Paid in Capital | Treasury Stock Shares | Treasury Stock Amount | Accumulated Other Comprehensive Income | Accumulated Deficit | Total |
|---|---|---|---|---|---|---|---|---|
| Balance at January 1, 2020 | 23,255,818 | $ 232,562 | $ 304,885,663 | 334 | $ (85,188) | $ 42,778 | $ (290,516,780) | $ 14,559,035 |
| Net loss | - | - | - | - | - | - | (18,471,409) | (18,471,409) |
| Sale of equity through equity financing facilities | 12,330,243 | 123,301 | 20,127,125 | - | - | - | - | 20,250,426 |
| Issuance of common stock upon exercise of options | 140,864 | 1,409 | 370,486 | - | - | - | - | 371,895 |
| Common stock warrants issued in exchange for services | - | - | 44,798 | - | - | - | - | 44,798 |
| Issuance of restricted stock | 3,000 | 30 | (30) | - | - | - | - | - |
| Realized and unrealized gains and losses, net, on investments securities | - | - | - | - | - | (42,778) | - | (42,778) |
| Stock-based compensation expense | - | - | 1,448,202 | - | - | - | - | 1,448,202 |
| Common stock issued to settle accrued bonuses | 429,855 | 4,299 | 494,333 | - | - | - | - | 498,632 |
| Balance at September 30, 2020 | 36,159,780 | $ 361,601 | $ 327,370,577 | 334 | $ (85,188) | $ - | $ (308,988,189) | $ 18,658,801 |

**See accompanying notes to the condensed consolidated financial statements.**

**CELSION CORPORATION**
**NOTES TO THE CONDENSED CONSOLIDATED**
**FINANCIAL STATEMENTS**
**(UNAUDITED)**

**FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020**

**Note 1. Business Description**

Celsion Corporation ("Celsion" and the "Company") is a fully integrated, clinical stage biotechnology company focused on advancing a portfolio of innovative treatments including DNA-based immunotherapies, next generation vaccines and directed chemotherapies through clinical trials and eventual commercialization. The Company's product pipeline includes GEN-1, a DNA-based immunotherapy for the localized treatment of ovarian cancer and ThermoDox®, a proprietary heat-activated liposomal encapsulation of doxorubicin, currently under investigator-sponsored development for several cancer indications. Celsion has two feasibility stage platform technologies for the development of novel nucleic acid-based immunotherapies and next generation vaccines and other anti-cancer DNA or RNA therapies. Both are novel synthetic, non-viral vectors with demonstrated capability in nucleic acid cellular transfection.

**Note 2. Basis of Presentation**

The accompanying unaudited condensed consolidated financial statements, which include the accounts of the Company and its wholly owned subsidiaries, CLSN Laboratories, Inc. and Celsion, GmbH, have been prepared in accordance with generally accepted accounting principles in the United States (GAAP) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. All significant intercompany balances and transactions have been eliminated in consolidation. Certain information and disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations.

In the opinion of management, all adjustments, consisting only of normal recurring accruals considered necessary for a fair presentation, have been included in the accompanying unaudited condensed consolidated financial statements. Operating results for the three-month and nine-month periods ended September 30, 2021 and 2020 are not necessarily indicative of the results that may be expected for any other interim period(s) or for any full year. For further information, refer to the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2020 filed with the Securities and Exchange Commission (SEC) on March 19, 2021.

The preparation of financial statements in conformity with GAAP requires management to make judgments, estimates, and assumptions that affect the amount reported in the Company's financial statements and accompanying notes. Actual results could differ materially from those estimates. Events and conditions arising subsequent to the most recent balance sheet date have been evaluated for their possible impact on the financial statements and accompanying notes. The Company continues to monitor the impact of the COVID-19 pandemic on its financial condition and results of operations, along with the valuation of its long-term assets, intangible assets, and goodwill. The effect of this matter could potentially have an impact on the valuation of such assets in the future. The COVID-19 pandemic is discussed in more detail in Note 3 to the financial statements.

**Note 3. Financial Condition and Business Plan**

Since inception, the Company has incurred substantial operating losses, principally from expenses associated with the Company's research and development programs, clinical trials conducted in connection with the Company's product candidates, and applications and submissions to the U.S. Food and Drug Administration. The Company has not generated significant revenue and has incurred significant net losses in each year since our inception. As of September 30, 2021, the Company has incurred approximately $329 million of cumulative net losses and had approximately $60.6 million in cash and cash equivalents, restricted cash, short-term investments and interest receivable. We have substantial future capital requirements to continue our research and development activities and advance our product candidates through various development stages. The Company believes these expenditures are essential for the commercialization of its technologies.

The Company expects its operating losses to continue for the foreseeable future as it continues its product development efforts, and when it undertakes marketing and sales activities. The Company's ability to achieve profitability is dependent upon its ability to obtain governmental approvals, manufacture, and market and sell its product candidates. There can be no assurance that the Company will be able to commercialize its technology successfully or that profitability will ever be achieved. The operating results of the Company have fluctuated significantly in the past.

In January 2020, the WHO declared an outbreak of coronavirus, COVID-19, to be a "Public Health Emergency of International Concern," and the U.S. Department of Health and Human Services declared a public health emergency to aid the U.S. healthcare community in responding to COVID-19. This virus has spread to over 100 countries, including the U.S. Governments and businesses around the world have taken unprecedented actions to mitigate the spread of COVID-19, including, but not limited to, shelter-in-place orders, quarantines, significant restrictions on travel, as well as restrictions that prohibit many employees from going to work. Uncertainty with respect to the economic impacts of the pandemic has introduced significant volatility in the financial markets. The Company did not observe significant impacts on its business or results of operations during 2020 and into 2021 due to COVID-19. While the extent to which COVID-19 impacts the Company's future results will depend on future developments, the pandemic and associated economic impacts could result in a material impact to the Company's future financial condition, results of operations and cash flows. The Company's ability to raise additional capital may be adversely impacted by potential worsening global economic conditions and the recent disruptions to, and volatility in, financial markets in the U.S. and worldwide resulting from the ongoing COVID-19 pandemic. The disruptions caused by COVID-19 may also disrupt the clinical trials process and enrolment of patients. This may delay commercialization efforts. The Company continues to monitor its operating activities in light of these events. The specific impact, if any, is not readily determinable as of the date of these financial statements.

The actual amount of funds the Company will need to operate is subject to many factors, some of which are beyond the Company's control. These factors include the following:

- the progress of research activities;
- the number and scope of research programs;
- the progress of preclinical and clinical development activities;
- the progress of the development efforts of parties with whom the Company has entered into research and development agreements;
- the costs associated with additional clinical trials of product candidates;
- the ability to maintain current research and development licensing arrangements and to establish new research and development and licensing arrangements;
- the ability to achieve milestones under licensing arrangements;
- the costs involved in prosecuting and enforcing patent claims and other intellectual property rights; and
- the costs and timing of regulatory approvals.

On July 13, 2020, the Company announced that it has received a recommendation from the independent Data Management Committee ("DMC") to consider stopping the global Phase III OPTIMA Study of ThermoDox® in combination with RFA for the treatment of HCC, or primary liver cancer. The recommendation was made following the second pre-planned interim safety and efficacy analysis by the DMC on July 9, 2020. The DMC's analysis found that the pre-specified boundary for stopping the trial for futility of 0.900 was crossed with an actual value of 0.903. The Company followed the advice of the DMC and considered its options to either stop the study or continue to follow patients after a thorough review of the data, and an evaluation of the probability of success. On February 11, 2021, the Company issued a letter to shareholders stating that the Company was notifying all clinical sites to discontinue following patients in the OPTIMA Study.

During 2020, 2019 and 2018, the Company submitted applications to sell a portion of the Company's State of New Jersey net operating losses as part of the Technology Business Tax Certificate Program sponsored by The New Jersey Economic Development Authority. Under the program, emerging biotechnology companies with unused NOLs and unused research and development credits are allowed to sell these benefits to other New Jersey-based companies. In 2018 and 2019, the Company sold cumulative NOL's from 2011 to 2018 NOLs totaling $13 million receiving net proceeds of $12.2 million. In June 2020 and as updated in September 2020, the Company filed an application with the New Jersey Economic Development Authority to sell substantially all of its remaining State of New Jersey net operating losses totaling $2.0 million available under the program. On February 12, 2021, the New Jersey Economic Development Authority approved the full amount of the Company's application. In February of 2021, the Company entered into an agreement to sell the net operating losses from the 2020 application and the Company received net proceeds of approximately $1.85 million on May 10, 2021. During 2021, the New Jersey State Legislature increased the maximum lifetime benefit per company from $15 million to $20 million, which will allow the Company to participate in this program in future years. On June 16, 2021, the Company filed another application to sell approximately $1.6 million of net operating losses during 2021 and expects to receive up to approximately $1.4 million under the current year program.

In June 2018, the Company entered into a Credit Agreement with Horizon Technology Finance Corporation ("Horizon") that provided $10 million in capital (the "Horizon Credit Agreement"). The obligations under the Horizon Credit Agreement are secured by a first-priority security interest in substantially all assets of Celsion other than intellectual property assets. Payments under the loan agreement are interest only (calculated based on one-month LIBOR plus 7.625%) for the first 24 months through July 2020, followed by a 21-month amortization period of principal and interest starting on August 1, 2020 and ending through the scheduled maturity date on April 1, 2023. On August 28, 2020, in connection with an Amendment to the Horizon Credit Agreement, Celsion repaid $5 million of the $10 million loan and $0.2 million in related end of term charges, and the remaining $5 million in obligations were restructured. As more fully discussed in Note 11 to these condensed consolidated financial statements, in June 2021, the Company entered into a $10 million loan facility with Silicon Valley Bank. The Company immediately used $6 million from this facility to retire all outstanding indebtedness with Horizon Technology Finance Corporation. The remaining $4 million will be available to be drawn down up to 12 months after closing and will be used for working capital and to fund the advancement of the Company's product pipelines. The funding is in the form of money market secured indebtedness bearing interest at a calculated WSJ Prime-based variable rate of 3.25%. Payments under the loan agreement are interest only for the first 24 months after loan closing, followed by a 24-month amortization period of principal and interest through the scheduled maturity date.

As more fully discussed in Note 12, during 2021 through the date of the filing of this Quarterly Report on Form 10-Q, the Company has raised approximately $6.9 million in gross proceeds from the use of its JonesTrading Capital on Demand™ financing facility, $35 million from a registered direct financing completed in January 2021, $15 million from a registered direct financing completed on April 5, 2021, and $1.5 million from warrant exercises. With $60.6 million in cash and cash equivalents, restricted cash, short-term investments and interest receivable, the Company believes it has sufficient capital resources to fund its operations through the end of 2024.

The Company has based its estimates on assumptions that may prove to be wrong. The Company may need to obtain additional funds sooner or in greater amounts than it currently anticipates. Potential sources of financing include strategic relationships, public or private sales of the Company's shares or debt, the sale of the Company's State of New Jersey net operating losses and other sources. If the Company raises funds by selling additional shares of common stock or other securities convertible into common stock, the ownership interest of existing stockholders may be diluted.

**Note 4. New Accounting Pronouncements**

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

In June 2016, the FASB issued ASU No. 2016-13, *"Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments"*, which modifies the measurement of expected credit losses on certain financial instruments. The Company adopted ASU 2016-13 in the first quarter of 2021 utilizing the modified retrospective transition method. Based on the composition of the Company's investment portfolio and current market conditions, the adoption of ASU 2016-13 did not have a material impact on its consolidated financial statements.

In December 2019, the FASB issued ASU No. 2019-12, *Income Taxes (Topic 740)*. The standard simplifies the accounting for incomes taxes by removing certain exceptions to the general principles in Topic 740 related to the approach for intra-period tax allocation and the recognition of deferred tax liabilities for outside basis differences. The standard also clarifies the accounting for transactions that result in a step-up in the tax basis of goodwill. The standard also improves consistent application of and simplifies GAAP for other areas of Topic 740 by clarifying and amending existing guidance. The amendment is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020. The Company adopted this standard during the first quarter of 2021. The adoption of ASU 2019-12 did not have a material impact on its consolidated financial statements.

In connection with the upcoming elimination of the London Inter-bank Offered Rate, ("LIBOR") and other reference interest rates, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848) Facilitation of the Effects of Reference Reform on Financial Reporting*. ASU 2020-04, which is available for contract modifications and hedging relationship modifications entered into or evaluated before December 31, 2022, provides certain practical expedients related to simplifying the accounting for contract modifications resulting from the change in terms from LIBOR to a new required interest rate benchmark. The Company is currently evaluating the effects of adopting this accounting standards update.

In May 2021, the FASB issued ASU No. 2021-04 "*Earnings Per Share (Topic 260), Debt-Modifications and Extinguishments (Subtopic 470-50), Compensation-Stock Compensation (Topic 718), and Derivatives and Hedging-Contracts in Entity's Own Equity (Subtopic 815-40): Issuer's Accounting for Certain Modifications or Exchanges of Freestanding Equity-Classified Written Call Options (a consensus of the FASB Emerging Issues Task Force)*". This ASU is intended to clarify and reduce diversity in an issuer's accounting for modifications or exchanges of freestanding equity-classified written call options (for example, warrants) that remain equity classified after modification or exchange. The guidance clarifies whether an issuer should account for a modification or an exchange of a freestanding equity-classified written call option that remains equity classified after modification or exchange as (1) an adjustment to equity and, if so, the related earnings per share effects, if any, or (2) an expense and, if so, the manner and pattern of recognition. The amendments in this ASU affect all entities that issue freestanding written call options that are classified in equity. The amendments do not apply to modifications or exchanges of financial instruments that are within the scope of another Topic and do not affect a holder's accounting for freestanding call options. The amendments in this ASU are effective for all entities for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. An entity should apply the amendments prospectively to modifications or exchanges occurring on or after the effective date of the amendments. Early adoption is permitted for all entities, including adoption in an interim period. The Company is currently evaluating the impact of adopting ASU 2021-04 on its consolidated financial statements.

**Note 5. Restricted Cash**

As a condition of the $10 million loan facility with Silicon Valley Bank ("SVB") entered into on June 18, 2021 as further discussed in Note 11, the Company is required at all times to maintain on deposit with SVB as cash collateral in a segregated money market bank account in the name of the Company, unrestricted and unencumbered cash (other than a lien in favor of SVB) in an amount of at least 100% of the aggregate outstanding amount of the SVB loan facility. SVB may restrict withdrawals or transfers by or on behalf of the Company that would violate this requirement. The required reserve totaled $6.0 million as of September 30, 2021. This amount is presented in part as restricted cash in other non-current assets on the accompanying condensed consolidated balance sheets.

The following table reconciles cash and cash equivalents and restricted cash per the balance sheet to the condensed statements of cash flows:

| | September 30, 2021 | September 30, 2020 |
|---|---|---|
| Cash and cash equivalents | $ 25,648,849 | $ 18,339,728 |
| Money market investments, restricted | 6,000,000 | - |
| Total | $ 31,648,849 | $ 18,339,728 |

**Note 6. Net Loss per Common Share**

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

The total number of shares of common stock issuable upon exercise of warrants, stock option grants and equity awards were 9,250,354 and 8,507,041 shares for the three-month and nine-month periods ended September 30, 2021 and 2020, respectively. Warrants with an exercise price of $0.01 exercisable for 200,000 shares of common stock were considered issued in calculating basic loss per share during the first nine-months of 2020. These warrants were exercised in October 2020. For the three-month and nine-month periods ended September 30, 2021 and 2020, diluted loss per common share was the same as basic loss per common share as the other warrants and equity awards that were convertible into shares of the Company's common stock were excluded from the calculation of diluted loss per common share as their effect would have been anti-dilutive. The Company did not pay any dividends during the first nine months of 2021 or 2020.

**Note 7. Investment in Debt Securities-Available for Sale**

Investments in debt securities available for sale with a fair value of $28,864,364 as of September 30, 2021, consisted of government backed debt securities and commercial paper. These investments are valued at estimated fair value, with unrealized gains and losses reported as a separate component of stockholders' equity in accumulated other comprehensive loss. The Company only had investments in cash and cash equivalents on December 31, 2020.

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

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

| | September 30, 2021 | | December 31, 2020 | |
|---|---|---|---|---|
| | Cost | Fair Value | Cost | Fair Value |
| Short-term investments | | | | |
| Commercial paper | $ 7,784,165 | $ 7,784,894 | $ - | - |
| Government backed debt securities | 21,078,059 | 21,079,470 | - | - |
| Total | $ 28,862,224 | $ 28,864,364 | $ - | $ - |

| | September 30, 2021 | | December 31, 2020 | |
|---|---|---|---|---|
| | Cost | Fair Value | Cost | Fair Value |
| Short-term investment maturities | | | | |
| Within 3 months | $ 11,998,304 | $ 11,999,400 | $ - | $ - |
| Between 3-12 months | 16,863,920 | 16,864,964 | - | - |
| Total | $ 28,862,224 | $ 28,864,364 | $ - | $ - |

The following table shows the Company's investment in debt securities available for sale gross unrealized gains (losses) and fair value by investment category and length of time that individual securities have been in a continuous unrealized loss position at September 30, 2021 and December 31, 2020. The Company has reviewed individual securities to determine whether a decline in fair value below the amortizable cost basis is other than temporary.

| | September 30, 2021 | | December 31, 2020 | |
|---|---|---|---|---|
| Available for sale securities (all unrealized holding gains and losses are less than 12 months at date of measurement) | Fair Value | **Unrealized Holding Gains (Losses)** | Fair Value | **Unrealized Holding Gains (Losses)** |
| Investments with unrealized gains | $ 21,029,520 | $ 3,055 | $ - | $ - |
| Investments with unrealized losses | 7,834,844 | (916) | - | - |
| Total | $ 28,864,364 | $ 2,139 | $ - | $ - |

Investment (loss) income, which includes net realized losses on sales of available for sale securities and investment income interest and dividends, is summarized as follows:

| | **Three Months Ended September 30,** | |
|---|---|---|
| | **2021** | **2020** |
| Interest and dividends accrued and paid | $ 6,288 | $ 2,857 |
| Realized (losses) gains | (2,736) | 7,257 |
| Investment income, net | $ 3,552 | $ 10,114 |

| | **Nine Months Ended September 30,** | |
|---|---|---|
| | **2021** | **2020** |
| Interest and dividends accrued and paid | $ 10,135 | $ 66,029 |
| Realized (losses) gains | (4,521) | 53,354 |
| Investment income, net | $ 5,614 | $ 119,383 |

**Note 8. Fair Value Measurements**

FASB ASC Section 820, *Fair Value Measurements and Disclosures* establishes a three-level hierarchy for fair value measurements which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of inputs that may be used to measure fair value are as follows:

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

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

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

Cash and cash equivalents, other current assets, accounts payable and other accrued liabilities are reflected in the condensed consolidated balance sheet at their approximate estimated fair values primarily due to their short-term nature. The fair values of securities available for sale is determined by relying on the securities' relationship to other benchmark quoted securities and classified its investments as Level 2 items in both 2021 and 2020. There were no transfers of assets or liabilities between Level 1 and Level 2 and no transfers in or out of Level 3 during the nine-months ended September 30, 2021 or during the year ended December 31, 2020. The changes in Level 3 liabilities were the result of changes in the fair value of the earn-out milestone liability included in earnings and in-process R&D. The earnout milestone liability is valued using a risk-adjusted assessment of the probability of payment of each milestone, discounted to present value using an estimated time to achieve the milestone (see Note 14).

Assets and liabilities measured at fair value are summarized below:

| | Total Fair Value | Quoted Prices in Active Markets for Identical Assets/Liabilities (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
|---|---|---|---|---|
| Assets: | | | | |
| Recurring items as of September 30, 2021 | | | | |
| Investment in debt securities - available for sale, at fair value | $ 28,864,364 | $ – | $ 28,864,364 | $ – |
| Non-recurring items as of September 30, 2021 | | | | |
| In-process R&D (Note 9) | $ 13,366,234 | $ – | $ – | $ 13,366,234 |
| Non-recurring items as of December 31, 2020 | | | | |
| In-process R&D (Note 9) | $ 13,366,234 | $ – | $ – | $ 13,366,234 |
| Liabilities: | | | | |
| Recurring items as of September 30, 2021 | | | | |
| Earn-out milestone liability (Note 14) | $ 7,345,000 | $ – | $ – | $ 7,345,000 |
| Recurring items as of December 31, 2020 | | | | |
| Earn-out milestone liability (Note 14) | $ 7,018,000 | $ – | $ – | $ 7,018,000 |

**Note 9. Intangible Assets**

In June 2014, we completed the acquisition of substantially all of the assets of EGEN, Inc., an Alabama corporation, which has changed its company name to EGWU, Inc. after the closing of the acquisition ("EGEN"). We acquired all of EGEN's right, title and interest in and to substantially all of the assets of EGEN, including cash and cash equivalents, patents, trademarks and other intellectual property rights, clinical data, certain contracts, licenses and permits, equipment, furniture, office equipment, furnishings, supplies and other tangible personal property. In addition, CLSN Laboratories assumed certain specified liabilities of EGEN, including the liabilities arising out of the acquired contracts and other assets relating to periods after the closing date.

*Acquired In-process Research and Development*

Acquired in-process research and development (IPR&D) consists of EGEN's drug technology platforms: TheraPlas and TheraSilence. The fair value of the IPR&D drug technology platforms was estimated to be $24.2 million as of the acquisition date. As of the closing of the acquisition, the IPR&D was considered indefinite lived intangible assets and will not be amortized. IPR&D is reviewed for impairment at least annually as of our third quarter ended September 30, and whenever events or changes in circumstances indicate that the carrying value of the assets might not be recoverable. The Company's IPR&D consisted of three core elements, its RNA delivery system, its glioblastoma multiforme cancer (GBM) product candidate and its ovarian cancer indication.

The Company's ovarian cancer indication, with original value of $13.3 million, has not been impaired since its acquisition. At September 30, 2021, the Company evaluated its IPR&D of the ovarian cancer indication and concluded that it is not more likely than not that the asset is impaired. As no other indicators of impairment existed during the fourth quarter of 2020 or first nine months of 2021, no impairment charges were recorded during the three or nine-months ended September 30, 2021 and 2020.

The Company's GBM candidate, with original value of $9.4 million, had cumulative impairments through 2018 of $7 million, with remaining carrying value of $2.4 million at December 31, 2019. On September 30, 2020, the Company evaluated its IPR&D for the (GBM) product candidate and concluded that it is more likely than not that the asset is further impaired. After this assessment on September 30, 2020, the Company wrote off the remaining $2.4 million of this asset, thereby recognizing a non-cash charge of $2.4 million in the third quarter of 2020.

*Covenants Not to Compete*

Pursuant to the EGEN Purchase Agreement, EGEN provided certain covenants ("Covenant Not To Compete") to the Company whereby EGEN agreed, during the period ending on the seventh anniversary of the closing date of the acquisition on June 20, 2014, not to enter into any business, directly or indirectly, which competes with the business of the Company, nor will it contact, solicit or approach any of the employees of the Company for purposes of offering employment. The Covenant Not to Compete which was valued at approximately $1.6 million at the date of the EGEN acquisition has a definitive life and is amortized on a straight-line basis over its life of 7 years. The Company recognized the remaining carrying value of $113,660 as amortization expense in the first half of 2021. The carrying value of the Covenant Not to Compete was fully amortized as of June 30, 2021 and had a carrying value of $113,660, net of $1,477,554 accumulated amortization, as of December 31, 2020. The Company recognized amortization expense of $56,830 and 170,487 in the three-month and nine-month periods ended September 30, 2020.

*Goodwill*

The purchase price exceeded the estimated fair value of the net assets acquired by approximately $2.0 million which was recorded as Goodwill. Goodwill represents the difference between the total purchase price for the net assets purchased from EGEN and the aggregate fair values of tangible and intangible assets acquired, less liabilities assumed. Goodwill is reviewed for impairment at least annually as of our third quarter ended September 30 or sooner if we believe indicators of impairment exist. As of September 30, 2021, we concluded that the Company's fair value exceeded its carrying value therefore "it is not more likely than not" that the Goodwill was impaired.

Following is a summary of the net fair value of the assets acquired in the EGEN asset acquisition for the nine-month period ended September 30, 2021:

| | IPR&D | Goodwill | Covenant Not To Compete |
|---|---|---|---|
| **For the nine-months ended September 30, 2021** | | | |
| Balance at January 1, 2021, net | $ 13,366,234 | $ 1,976,101 | $ 113,660 |
| Amortization | - | - | (113,660) |
| Balance at September 30, 2021, net | $ 13,366,234 | $ 1,976,101 | $ - |

**Note 10. Accrued Liabilities**

Other accrued liabilities at September 30, 2021 and December 31, 2020 include the following:

| | September 30, 2021 | December 31, 2020 |
|---|---|---|
| Amounts due to contract research organizations and other contractual agreements | $ 1,276,317 | $ 636,000 |
| Accrued payroll and related benefits | 1,247,460 | 1,736,271 |
| Accrued professional fees | 265,350 | 66,850 |
| Accrued interest | 16,250 | - |
| Other | 19,411 | 19,411 |
| Total | $ 2,824,788 | $ 2,458,532 |

**Note 11. Notes Payable**

*The SVB Loan Facility*

On June 18, 2021, the Company entered into a $10 million loan facility (the "SVB Loan Facility") with Silicon Valley Bank ("SVB"). Celsion immediately used $6 million from the SVB Loan Facility to retire all outstanding indebtedness with Horizon Technology Finance Corporation as further discussed below. Concurrently with this transaction, the Company used $6.0 million of other available funds to establish a restricted cash account which serves as security for the SVB Loan Facility. The remaining $4 million will be available to be drawn down up to 12 months after closing and will be used for working capital and to fund the advancement of the Company's product pipeline, including GEN-1 for the treatment of newly diagnosed advanced ovarian cancer, as well as other strategic initiatives intended to broaden its product pipeline.

The SVB Loan Facility is in the form of money market secured indebtedness bearing interest at a calculated WSJ Prime-based variable rate (currently 3.25%). A final payment equal to 3% of the total $10 million commitment amount is due upon maturity or prepayment of the SVB Loan Facility. There was no facility commitment fee and no stock or warrants were issued to SVB. Payments under the loan agreement are interest only for the first 24 months after loan closing, followed by a 24-month amortization period of principal and interest through the scheduled maturity date.

In connection with the SVB Loan Facility, the Company incurred financing fees and expenses totaling $243,370 which is recorded and classified as debt discount and are being amortized as interest expense using the effective interest method over the life of the loan. Also, in connection with the SVB Loan Facility, the Company is required to pay an end-of-term fee equal to 3.0% of the original loan amount at time of maturity. Therefore, these amounts totaling $300,000 are being amortized as interest expense using the effective interest method over the life of the loan. During the three-month and nine-month periods ended September 30, 2021, the Company incurred interest expense of $49,883 and $56,875, respectively, and amortized $45,687 and $52,144, respectively, as interest expense for debt discounts and end-of-term fee in connection with the SVB Financing Facility.

Following is a schedule of future principal payments, net of unamortized debt discounts and amortized end-of-term fee, due on the SVB Loan Facility:

| | As of September 30, |
|---|---|
| 2022 | $ – |
| 2023 | 750,000 |
| 2024 | 3,000,000 |
| 2025 and thereafter | 2,250,000 |
| Subtotal of future principal payments | 6,000,000 |
| Unamortized debt premium, net | (191,226) |
| Total | $ 5,808,774 |

*Horizon Credit Agreement*

On June 27, 2018, the Company entered into a loan agreement with Horizon Technology Finance Corporation ("Horizon") that provided $10 million in new capital (the "Horizon Credit Agreement"). The Company drew down $10 million upon closing of the Horizon Credit Agreement on June 27, 2018. On August 28, 2020, Horizon and the Company amended the Horizon Credit Agreement (the "Amendment") whereby Celsion repaid $5 million of the $10 million loan and $0.2 million in related end of term charges, and the remaining $5 million in obligations were restructured as set forth below.

Pursuant to the Amendment, the remaining $5 million in obligations of Celsion under the Horizon Credit Agreement was secured by a first-priority security interest in substantially all assets of Celsion other than intellectual property assets. The obligations bore interest at a rate calculated based an amount by which the one-month LIBOR exceeds 2% plus 7.625%. In no event shall the interest rate be less than 9.625%. Payments pursuant to the Amendment were interest only for the first twelve (12) months after August 1, 2020, followed by a 21-month amortization period of principal and interest through the scheduled maturity date on April 1, 2023. In addition, the remaining $5 million in obligations was subject to an end of term fee equal, in the aggregate, to $275,000, which amount was payable upon the maturity of the obligations or upon the date of final payment or default, as applicable. In connection with the Amendment, Celsion agreed to a liquidity covenant which provides that, at all times, Celsion shall maintain unrestricted cash and/or cash equivalents on deposit in accounts over which the applicable Lenders maintain an account control agreement in an amount not less than $2.5 million. In addition, pursuant to the Amendment, Celsion agreed to provide evidence to Horizon on or before March 31, 2021, that it received aggregate cash proceeds of not less than $5 million from the sale of equity, debt, its New Jersey net operating losses, or a combination thereof, subsequent to the date of the Amendment. The Company met this requirement during the fourth quarter of 2020.

In connection with the Horizon Credit Agreement, the Company incurred financing fees and expenses totaling $175,000 which were recorded and classified as debt discount. In addition, the Company paid loan origination fees of $100,000 which were recorded and classified as debt discount. These debt discount amounts totaling $782,116 were being amortized as interest expense using the effective interest method over the life of the loan. Also, in connection with each of the Horizon Credit Agreement, the Company was required to pay an end of term charge equal to 4.0% of the original loan amount at time of maturity. Therefore, those amounts totaling $400,000 were being amortized as interest expense using the effective interest method over the life of the loan.

As a fee in connection with the Horizon Credit Agreement, Celsion issued Horizon warrants exercisable for a total of 190,114 shares of Celsion's common stock (the "Existing Warrants") at a per share exercise price of $2.63. The Horizon Warrants were immediately exercisable for cash or by net exercise from the date of grant and will expire after ten years from the date of grant. The Company valued the Horizon Warrants issued using the Black-Scholes option pricing model and recorded a total of $507,116 as a direct deduction from the debt liability, consistent with the presentation of debt discounts, and are being amortized as interest expense using the effective interest method over the life of the loan. Pursuant to the Amendment, one-half of the aggregate Existing Warrants, exercisable for a total of 95,057 shares of Celsion's common stock, have been canceled, and, in connection with the Amendment, Celsion issued Horizon new warrants exercisable at a per share exercise price equal to $1.01 for a total of 247,525 shares of Celsion's common stock (the "New Warrants" and, together with the Existing Warrants, the "Warrants"). The remaining 95,057 Existing Warrants issued in connection with the Horizon Credit Agreement remain outstanding at a per share exercise price of $2.63.

The New Warrants were immediately exercisable for cash or by net exercise from the date of grant and will expire after ten years from the date of grant. The Horizon Credit Agreement contains customary representations, warranties and affirmative and negative covenants including, among other things, covenants that limit or restrict Celsion's ability to grant liens, incur indebtedness, make certain restricted payments, merge, or consolidate and make dispositions of assets.

The Amendment was evaluated in accordance with FASB ASC 470-50, *Debt-Modifications and Extinguishments*, for debt modification and extinguishment accounting. We accounted for the $5 million we repaid as a debt extinguishment thereby reducing the principal obligations accordingly. Also, in connection with the $5 million repayment, we recognized as interest expense, approximately $0.2 million of unamortized debt discount, deferred financing and end of term fees related to the repaid obligation in August 2020.

We accounted for the remaining $5 million of obligation under the Amendment as a debt modification to the initial agreement with respect to the minor changes in cash flows. Also, in connection with the $5 million remaining obligations, we recorded $5,000 of financing fees and the New Warrant fair value of $247,548 as additional debt discount on the $5 million remaining obligation. Therefore, approximately $109,706 of unamortized debt discount will be amortized over the remaining life of the new obligations. The $275,000 of end of term fees, net of previously amortized end of term fees totaling $142,605 previously accrued on the original note associated with the $5 million remaining obligation, will be amortized as interest expense over the remaining life of the new obligations.

No interest expense was recognized during the three months ended September 31, 2021 as the amounts owed under the Horizon Credit agreement were paid off in June 2021. During the nine-month period ended September 30, 2021, the Company incurred $225,920 in interest expense and amortized $139,428 as interest expense for debt discounts and end of term charges in connection with the Horizon Credit Agreement. During the three-month period ended September 30, 2020, the Company incurred $198,738 in interest expense and amortized $251,993 as interest expense for debt discounts and end of term charges in connection with the Initial Horizon Credit Agreement and Amendment. During the nine-month period ended September 30, 2020, the Company incurred $685,913 in interest expense and amortized $444,786 as interest expense for debt discounts and end of term charges in connection with the Initial Horizon Credit Agreement and Amendment.

On June 18, 2021, as a condition of entering into the SVB Loan Facility, the Company paid the outstanding principal balance, an early termination fee and the end of term charges in full satisfaction of the Horizon Credit Agreement, as amended. Following is a schedule of the amounts paid to Horizon on June 18, 2021.

| | | |
|---|---|---|
| Principal balance at June 18, 2021 | $ | 5,000,000 |
| Early termination fees | | 150,000 |
| End of term charges | | 275,000 |
| Total | $ | 5,425,000 |

During the nine months ended September 30, 2021, the Company recorded a loss of $234,419 on the termination of the Horizon Credit Agreement, as amended, which represented the early termination fee and the end of term fees, net of previously amortized interest expense totaling $190,581 on the date of its payoff.

**Note 12. Stockholders' Equity**

In September 2018, the Company filed with the SEC a $75 million shelf registration statement on Form S-3 (the 2018 Shelf Registration Statement) that allows the Company to issue any combination of common stock, preferred stock or warrants to purchase common stock or preferred stock. This shelf registration was declared effective on October 12, 2018 and was fully utilized by the end of January 2021.

On March 19, 2021, the Company filed with the SEC a new $100 million shelf registration statement on Form S-3 (the "2021 Registration Statement") that allows the Company to issue any combination of common stock, preferred stock or warrants to purchase common stock or preferred stock. This shelf registration was declared effective on March 30, 2021.

*Capital on Demand™ Sales Agreement*

On December 4, 2018, the Company entered into the Capital on Demand Agreement with JonesTrading, pursuant to which the Company may offer and sell, from time to time, through JonesTrading shares of Common Stock having an aggregate offering price of up to $16.0 million.

During 2020 through September 30, 2020, the Company sold and issued an aggregate of 2.1 million shares under the Capital on Demand Agreement, receiving approximately $4.3 million in gross proceeds. During the first nine months of 2021, the Company sold 7.2 million shares under the Capital on Demand Agreement, receiving approximately $6.9 million in gross proceeds under the Capital on Demand Agreement.

*Registered Direct Offering*

On February 27, 2020, we entered into a Securities Purchase Agreement (the "February 2020 Purchase Agreement") with several institutional investors, pursuant to which we agreed to issue and sell, in a registered direct offering (the "February 2020 Offering"), an aggregate of 4,571,428 shares of our common stock at an offering price of $1.05 per Share for gross proceeds of approximately $4.8 million before the deduction of the Placement Agent fees and offering expenses. In a concurrent private placement (the "Private Placement"), the Company issued to the investors that participated in the February 2020 Offering, for no additional consideration, warrants to purchase up to 2,971,428 shares of common stock (the "Original Warrants"). The Original Warrants were initially exercisable six months following their date of issue and were set to expire on the five-year anniversary of such initial exercise date. The Original Warrants had an exercise price of $1.15 per share subject to adjustment as provided therein. On March 12, 2020, the Company entered into private exchange agreements (the "Exchange Agreements") with holders of the Original Warrants. Pursuant to the Exchange Agreements, in return for a higher exercise price of $1.24 per share of common stock, the Company issued new warrants to the Investors to purchase up to 3,200,000 shares of common stock (the "Exchange Warrants") in exchange for the Original Warrants. The Exchange Warrants, like the Original Warrants, are initially exercisable six months following their issuance (the "Initial Exercise Date") and expire on the five-year anniversary of their Initial Exercise Date. Other than having a higher exercise price, different issue date, Initial Exercise Date and expiration date, the terms of the Exchange Warrants are identical to those of the Original Warrants. On July 31, 2020, the Company filed a Form S-3 Registration Statement to register the shares of common stock issuable under the Exchange Warrants; the Registration Statement was declared effective by the SEC on August 13, 2020. No Exchange Warrants were exercised during 2020. During 2021 through the date of this Quarterly Report on Form 10-Q, the Company issued 1.2 million shares pursuant to investors exercising Exchange Warrants, receiving approximately $1.5 million in net proceeds.

*Underwritten Offering*

On June 22, 2020, the Company entered into an underwriting agreement (the "Underwriting Agreement") with Oppenheimer & Co. Inc. (the "Underwriter"), relating to the issuance and sale (the "Underwritten Offering") of 2,666,667 shares of the Company's common stock. Pursuant to the terms of the Underwriting Agreement, the Underwriter agreed to purchase the shares at a price of $3.4875 per share. The Underwriter offered the shares at a public offering price of $3.75 per share, reflecting an underwriting discount equal to $0.2625, or 7.0% of the public offering price. The net proceeds to the Company from the Underwritten Offering, after deducting the underwriting discount and estimated offering expenses payable by the Company, were approximately $9.1 million.

Pursuant to the Underwriting Agreement, until December 31, 2020, the Underwriter had a right of first refusal to act as sole underwriter, initial purchaser, placement/selling agent, or arranger, as the case may be, on any new financing for the Company (excluding equipment lease financings, loans or grants from governmental authorities or in connection with government programs and financings relating to or sales of tax attributes) during such period. The Underwriter had the sole right to determine whether or not any other broker dealer could participate in any such offering and the economic terms of any such participation.

*January 2021 Registered Direct Offering*

On January 22, 2021, the Company entered into a Securities Purchase Agreement (the "January 2021 Purchase Agreement") with several institutional investors, pursuant to which the Company agreed to issue and sell, in a registered direct offering (the "January 2021 Offering"), an aggregate of 25,925,925 shares of the Company's common stock at an offering price of $1.35 per share for gross proceeds of approximately $35 million before the deduction of the January 2021 Placement Agents (as defined below) fee and offering expenses. The January 2021 Purchase Agreement contains customary representations, warranties and agreements by the Company and customary conditions to closing. The closing of the January 2021 Offering occurred on January 26, 2021.

In connection with the January 2021 Offering, the Company entered into a placement agent agreement (the "January 2021 Placement Agent Agreement") with A.G.P./Alliance Global Partners (together with Brookline Capital Markets, the "January 2021 Placement Agents") pursuant to which the Company agreed to pay the January 2021 Placement Agents a cash fee equal to 7% of the aggregate gross proceeds raised from the sale of the securities sold in the January 2021 Offering and reimburse the January 2021 Placement Agents for certain of their expenses in an amount not to exceed $82,500.

*March 2021 Registered Direct Offering*

On March 31, 2021, the Company entered into a Securities Purchase Agreement (the "March 2021 Purchase Agreement") with several institutional investors, pursuant to which the Company agreed to issue and sell, in a registered direct offering (the "March 2021 Offering"), an aggregate of 11,538,462 shares of the Company's common stock, at an offering price of $1.30 per share for gross proceeds of approximately $15 million before the deduction of the placement agents fee and offering expenses. The shares were offered by the Company pursuant to the 2021 Registration Statement. The closing of the Offering occurred on April 5, 2021.

In connection with the March 2021 Offering, the Company entered into a placement agent agreement (the "March 2021 Placement Agent Agreement") with A.G.P./Alliance Global Partners, as lead placement agent ("AGP," and together with JonesTrading Institutional Services LLC and Brookline Capital Markets, a division of Arcadia Securities, LLC, serving as co-placement agents, the "March 2021 Placement Agents"), pursuant to which the Company agreed to pay the March 2021 Placement Agents an aggregate cash fee equal to 7% of the aggregate gross proceeds raised from the sale of the securities sold in the Offering and reimburse the Placement Agents for certain of their expenses in an amount not to exceed $82,500.

Under the March 2021 Purchase Agreement and March 2021 Placement Agent Agreement, the Company and its subsidiaries were prohibited, for a period of 90 days after the closing, from entering into any agreement to issue or announcing any issuance or proposed issuance of common stock or any other securities that are at any time convertible into, or exercisable or exchangeable for, or otherwise entitle the holder thereof to receive common stock without the prior written consent of AGP or the investors participating in the offering. For purposes of this offering, AGP and the investors from the Company's January 2021 Offering waived a similar 90-day restriction in the placement agent agreement and purchase agreement for that transaction.

*LPC Purchase Agreement*

On September 8, 2020, the Company entered into a purchase agreement (the "LPC Purchase Agreement") and a Registration Rights Agreement (the "Registration Rights Agreement") with Lincoln Park Capital Fund, LLC ("Lincoln Park"), pursuant to which, upon the terms and subject to the conditions and limitations set forth therein, the Company has the right to sell to Lincoln Park up to $26.0 million of shares of the Company's common stock at the Company's discretion as described below (the "LPC Offering"). During 2020, the Company sold and issued an aggregate of 3.3 million shares, including the 437,828 commitment shares, under the LPC Purchase Agreement, receiving approximately $2.2 million in gross proceeds. On January 21, 2021, the Company terminated the LPC Purchase Agreement. The Company did not sell any shares under the LPC Purchase Agreement in 2021.

**Note 13. Stock-Based Compensation**

The Company has long-term compensation plans that permit the granting of equity-based awards in the form of stock options, restricted stock, restricted stock units, stock appreciation rights, other stock awards, and performance awards.

At the 2018 Annual Stockholders Meeting of the Company held on May 15, 2018, stockholders approved the Celsion Corporation 2018 Stock Incentive Plan (the "2018 Plan"). The 2018 Plan, as adopted, permits the granting of 2,700,000 shares of Celsion common stock as equity awards in the form of incentive stock options, nonqualified stock options, restricted stock, restricted stock units, stock appreciation rights, other stock awards, performance awards, or in any combination of the foregoing. At the 2019 Annual Stockholders Meeting of the Company held on May 14, 2019, stockholders approved an amendment to the 2018 Plan whereby the Company increased the number of common stock shares available by 1,200,000 to a total of 3,900,000 under the 2018 Plan, as amended. Prior to the adoption of the 2018 Plan, the Company had maintained the Celsion Corporation 2007 Stock Incentive Plan (the "2007 Plan"). At the 2020 Annual Stockholders Meeting of the Company held on June 15, 2020, stockholders approved an amendment to the 2018 Plan, as previously amended, whereby the Company increased the number of shares of common stock available by 2,500,000 to a total of 6,400,000 under the 2018 Plan, as amended. At the 2021 Annual Stockholders Meeting of the Company held on June 10, 2020, stockholders approved an amendment to the 2018 Plan, as previously amended, whereby the Company increased the number of shares of common stock available by 7,700,000 to a total of 14,100,000 under the 2018 Plan, as amended.

The Company has issued stock awards to employees and directors in the form of stock options and restricted stock. Options are generally granted with strike prices equal to the fair market value of a share of Celsion common stock on the date of grant. Incentive stock options may be granted to purchase shares of common stock at a price not less than 100% of the fair market value of the underlying shares on the date of grant, provided that the exercise price of any incentive stock option granted to an eligible employee owning more than 10% of the outstanding stock of Celsion must be at least 110% of such fair market value on the date of grant. Only officers and key employees may receive incentive stock options.

Option and restricted stock awards vest upon terms determined by the Compensation Committee of the Board of Directors and are subject to accelerated vesting in the event of a change of control or certain terminations of employment. The Company issues new shares to satisfy its obligations from the exercise of options or the grant of restricted stock awards.

On September 28, 2018, and again on February 19, 2019, the Compensation Committee of the Board of Directors approved the grant of (i) inducement stock options (the "Inducement Option Grants") to purchase a total of 164,004 and 140,004 shares of Celsion common stock, respectively, and (ii) inducement restricted stock awards (the "Inducement Stock Grants") totaling 19,000 and 13,000 shares of Celsion common stock to five new employees collectively. Each award has a grant date of the date of grant. Each Inducement Option Grant has an exercise price per share equal to $2.77 and $2.18 which represents the closing price of Celsion's common stock as reported by Nasdaq on September 28, 2018 and February 19, 2019, respectively. Each Inducement Option Grant will vest over three years, with one-third vesting on the one-year anniversary of the employee's first day of employment with the Company and one-third vesting on the second and third anniversaries thereafter, subject to the new employee's continued service relationship with the Company on each such date. Each Inducement Option Grant has a ten-year term and is subject to the terms and conditions of the applicable stock option agreement. Each of Inducement Stock Grant vested on the one-year anniversary of the employee's first day of employment with the Company is subject to the new employee's continued service relationship with the Company through such date and is subject to the terms and conditions of the applicable restricted stock agreement.

As of September 30, 2021, there were a total of 14,198,424 shares of Celsion common stock reserved for issuance under the 2018 Plan, which were comprised of 6,473,451 shares of Celsion common stock subject to equity awards previously granted under the 2018 Plan and 2007 Plan and 7,724,973 shares of Celsion common stock available for future issuance under the 2018 Plan. As of September 30, 2021, there were a total of 140,004 shares of Celsion common stock subject to outstanding inducement awards.

A summary of stock option awards and restricted stock grants for the nine-months ended September 30, 2021 is presented below:

| | Stock Options | | Restricted Stock Awards | | Weighted Average |
|---|---|---|---|---|---|
| | Options Outstanding | Weighted Average Exercise Price | Non-vested Restricted Stock Outstanding | Weighted Average Grant Date Fair Value | Contractual Terms of Equity Awards (in years) |
| Equity awards outstanding at January 1, 2021 | 4,624,725 | $ 2.77 | 2,750 | $ 0.89 | |
| Equity awards granted | 2,171,250 | $ 2.17 | 9,000 | $ 1.29 | |
| Equity awards exercised or vested and issued | (7,500) | $ 0.63 | - | $ - | |
| Equity awards forfeited, cancelled or expired | (185,770) | $ 2.59 | (1,000) | $ 2.22 | |
| Equity awards outstanding at September 30, 2021 | 6,602,705 | $ 2.58 | 10,750 | $ 1.33 | 7.8 |
| Aggregate intrinsic value of outstanding equity awards at September 30, 2021 | $ 2,538 | | $ 12,383 | | |
| Equity awards exercisable at September 30, 2021 | 4,291,685 | $ 2.73 | | | 7.2 |
| Aggregate intrinsic value of equity awards exercisable at September 30, 2021 | $ - | | | | |

Total compensation cost related to stock options and restricted stock awards amounted to $700,624 and $417,476 for the three-month periods ended September 30, 2021 and 2020, respectively. Of these amounts, $241,288 and $164,035 was charged to research and development during the three-month periods ended September 30, 2021 and 2020, respectively, and $459,336 and $253,441 was charged to general and administrative expenses during the three-month periods ended September 30, 2021 and 2020, respectively.

Total compensation cost related to stock options and restricted stock awards amounted to $3,073,569 and $1,448,202 for the nine-month periods ended September 30, 2021 and 2020, respectively. Of these amounts, $1,123,376 and $542,157 was charged to research and development during the nine-month periods ended September 30, 2021 and 2020, respectively, and $1,950,193 and $906,045 was charged to general and administrative expenses during the nine-month periods ended September 30, 2021 and 2020, respectively.

As of September 30, 2021, there was $2.4 million of total unrecognized compensation cost related to non-vested stock-based compensation arrangements. That cost is expected to be recognized over a weighted-average period of 1.0 years. The weighted average grant date fair values of the stock options granted was $1.97 and $3.07 during the nine-month periods ended September 30, 2021 and 2020, respectively.

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

| | Nine Months Ended September 30, | |
|---|---|---|
| | 2021 | 2020 |
| Risk-free interest rate | 1.54 to 1.74% | 0.66 to 1.33% |
| Expected volatility | 106.8 to 113.2% | 100.4 to 104.8% |
| Expected life (in years) | 7.5 to 10.0 | 8.0 to 10.0 |
| Expected dividend yield | -% | -% |

Expected volatilities utilized in the model are based on historical volatility of the Company's stock price. The risk-free interest rate is derived from values assigned to U.S. Treasury bonds with terms that approximate the expected option lives in effect at the time of grant.

**Note 14. Earn-Out Milestone Liability**

On March 28, 2019, the Company and EGWU, Inc. entered into an amendment to its purchase agreement ("Amended Asset Purchase Agreement"), whereby payment of the earnout milestone liability related to the Ovarian Cancer Indication of $12.4 million had been modified. The Company has the option to make the payment as follows:

a) $7.0 million in cash within 10 business days of achieving the milestone; or
b) $12.4 million in cash, common stock of the Company, or a combination of either, within one year of achieving the milestone.

As of September 30, 2021, June 30, 2021, and December 31, 2020, the Company calculated the fair value of the earn-out milestone liability at $7.3 million, $7.1 million and $7.0 million, respectively, and recognized a non-cash charge of $0.3 million and for each of the three-months and nine months ended September 30, 2021. In assessing the earnout milestone liability at September 30, 2021 and June 30, 2021, the Company determined the fair value of each of the two payment options per the Amended Asset Purchase Agreement and weighted them at 50% and 50% probability for the $7.0 million and the $12.4 million payments, respectively.

As of September 30, 2020, June 30, 2020 and December 31, 2019, the Company calculated the fair value of the earn-out milestone liability at $7.1 million, $6.0 million, and $5.7 million, respectively, and recognized a non-cash charge of $1.1 and $1.4 million for the three-month and nine-month periods ended September 30, 2020, respectively. In assessing the earnout milestone liability at September 30, 2020, the Company fair valued each of the two payment options per the Amended Asset Purchase Agreement and weighted them at 50% and 50% probability for the $7.0 million and the $12.4 million payments, respectively, and at June 30, 2020, the Company determined the fair value of each of the two payment options per the Amended Asset Purchase Agreement and weighted them at 80% and 20% probability for the $7.0 million and the $12.4 million payments, respectively.

The following is a summary of the changes in the earn-out milestone liability for the nine-month period ended September 30, 2021:

| | | |
|---|---|---|
| Balance at January 1, 2021 | $ | (7,018,000) |
| Non-cash loss from the change in fair value | | (327,000) |
| Balance at September 30, 2021 | $ | (7,345,000) |

The following is a schedule of the Company's risk-adjustment assessment of each milestone:

| Date | **Risk-adjustment Assessment of Achieving Each Milestone** | Discount Rate | **Estimated Time to Achieve** |
|---|---|---|---|
| September 30, 2021 | 80% | 6.54% to 6.60% | 0.29 to 1.29 years |
| June 30, 2021 | 80% | 9% | 0.42 to 1.42 years |
| December 31, 2020 | 80% | 9% | 0.54 to 1.54 years |
| | | | |
| September 30, 2020 | 80% | 9% | 0.38 to 1.38 years |
| June 30, 2020 | 80% | 9% | 0.54 to 1.54 years |
| December 31, 2019 | 80% | 9% | 1.12 to 2.12 years |

**Note 15. Warrants**

Following is a summary of all warrant activity for the nine-months ended September 30, 2021:

| Warrants | Number of Warrants Issued | Weighted Average Exercise Price |
|---|---|---|
| Warrants outstanding at December 31, 2020 | 3,853,566 | $ 1.35 |
| Warrants exercised during the nine months ended September 30, 2021 (see Note 12) | (1,216,667) | $ 1.24 |
| Warrants outstanding at September 30, 2021 | 2,636,899 | $ 1.40 |
| Aggregate intrinsic value of outstanding warrants at September 30, 2021 | $ 159,857 | |
| Weighted average remaining contractual terms at September 30, 2021 | 4.1 years | |

**Note 16. Leases**

In 2011, the Company executed a lease (the "Lease") with Brandywine Operating Partnership, L.P. (Brandywine), a Delaware limited partnership, for a 10,870 square foot premises located in Lawrenceville, New Jersey and relocated its offices to Lawrenceville, New Jersey from Columbia, Maryland. The Lease had an initial term of 66 months. In late 2015, Lenox Drive Office Park LLC purchased the real estate and office building and assumed the Lease. This Lease was set to expire on April 30, 2017. In April 2017, the Company and the landlord amended the Lease effective May 1, 2017. The 1st Lease Amendment extended the term of the agreement for an additional 64 months, reduced the premises to 7,565 square feet, reduced the monthly rent and provided four months free rent. The monthly rent ranged from approximately $18,900 in the first year to approximately $20,500 in the final year of the 1st Lease Amendment. Effective January 9, 2019, the Company amended the current terms of the 1st Lease Amendment to increase the size of the premises by 2,285 square feet to 9,850 square feet and also extended the lease term by one year to September 1, 2023. The monthly rent ranges from approximately $25,035 in the first year to approximately $27,088 in the final year of the 2nd Lease Amendment.

In connection with the EGEN Asset Purchase Agreement in June 2014, the Company assumed the existing lease with another landlord for an 11,500 square foot premises located in Huntsville Alabama. In January 2018, the Company and the Huntsville landlord entered into a new 60-month lease which reduced the premises to 9,049 square feet with rent payments of approximately $18,100 per month. On June 9, 2021 and, as amended on July 7, 2021, the Company and the Huntsville landlord entered into a 22-month lease for an additional 2,197 square foot premises with rent payments of approximately $5,500 per month.

We adopted ASC Topic 842 on January 1, 2019 using the modified retrospective transition method for all lease arrangements at the beginning of the period of adoption. Results for reporting periods beginning January 1, 2019 are presented under ASC 842, while prior period amounts were not adjusted and continue to be reported in accordance with our historic accounting under Topic 840, Leases. The standard had a material impact on our Condensed Consolidated Balance Sheet but had no impact on our condensed consolidated net earnings and cash flows. The most significant impact of adopting ASC Topic 842 was the recognition of the right-of-use (ROU) asset and lease liabilities for operating leases, which are presented in the following three-line items on the Consolidated Condensed Balance Sheet: (i) operating lease right-of-use asset; (ii) current operating lease liabilities; and (iii) operating lease liabilities. Therefore, on date of adoption of ASC Topic 842, the Company recognized a ROU asset of $1.4 million, operating lease liabilities, current and non-current collectively, of $1.5 million and reduced other liabilities by approximately $0.1 million. We elected the package of practical expedients for leases that commenced before the effective date of ASC Topic 842 whereby we elected to not reassess the following: (i) whether any expired or existing contracts contain leases; (ii) the lease classification for any expired or existing leases; and (iii) initial direct costs for any existing leases. In addition, we have lease agreements with lease and non-lease components, and we have elected the practical expedient for all underlying asset classes and account for them as a single lease component. We have no finance leases. We determine if an arrangement is a lease at inception. We have operating leases for office space and research and development facilities. Neither of our leases include options to renew, however, one contains an option for early termination. We considered the option of early termination in measurement of right-of-use assets and lease liabilities and we determined it is not reasonably certain to be terminated. In connection with the 2nd Lease Amendment for the New Jersey office lease in January 2019, the Company considered this as one modified lease and not as two separate leases. Therefore, in January 2019, the Company determined this lease was an operating lease and remeasured the ROU asset and lease liability. Therefore, the Company increased the ROU asset and operating lease liabilities by $0.4 million to $1.8 million and $1.9 million, respectively. In connection with the 2021 lease, as amended, the Company determined this lease should be treated as a separate contract. Therefore, during the third quarter of 2021, the Company increased the ROU assets and operating lease liabilities by $0.1 million.

Following is a table of the lease payments and maturity of our operating lease liabilities as of September 30, 2021:

| | For the year ending September 30, |
|---|---|
| Remainder of 2021 | $ 149,573 |
| 2022 | 601,495 |
| 2023 | 238,609 |
| 2024 and thereafter | - |
| Subtotal future lease payments | 989,677 |
| Less imputed interest | (81,895) |
| Total lease liabilities | $ 907,782 |
| | |
| Weighted average remaining life | 1.7 years |
| | |
| Weighted average discount rate | 8.28% |

For the three-month and nine-month periods ended September 30, 2021, operating lease expense was $146,936 and $413,577, respectively and cash paid for operating leases included in operating cash flows was $149,115 and $418,696, respectively. For the three-month and nine-month periods ended September 30, 2020, operating lease expense was $130,595 and $391,785, respectively and cash paid for operating leases included in operating cash flows was $131,863 and $393,947, respectively.

**Note 17. Technology Development and Licensing Agreements**

On May 7, 2012, the Company entered into a long-term commercial supply agreement with Zhejiang Hisun Pharmaceutical Co. Ltd. (Hisun) for the production of ThermoDox® in the China territory. In accordance with the terms of the agreement, Hisun will be responsible for providing all of the technical and regulatory support services, including the costs of all technical transfer, registration and bioequivalence studies, technical transfer costs, Celsion consultative support costs and the purchase of any necessary equipment and additional facility costs necessary to support capacity requirements for the manufacture of ThermoDox®. Celsion will repay Hisun for the aggregate amount of these development costs and fees commencing on the successful completion of three registration batches of ThermoDox®. Hisun is also obligated to certain performance requirements under the agreement. The agreement will initially be limited to a percentage of the production requirements of ThermoDox® in the China territory with Hisun retaining an option for additional global supply after local regulatory approval in the China territory. In addition, Hisun will collaborate with Celsion around the regulatory approval activities for ThermoDox® with the China State Food and Drug Administration (CHINA FDA). During the first quarter of 2015, Hisun completed the successful manufacture of three registration batches of ThermoDox®.

On January 18, 2013, we entered into a technology development contract with Hisun, pursuant to which Hisun paid us a non-refundable research and development fee of $5 million to support our development of ThermoDox® in mainland China, Hong Kong and Macau (the China territory). Following our announcement on January 31, 2013 that the HEAT study failed to meet its primary endpoint, Celsion and Hisun have agreed that the Technology Development Contract entered into on January 18, 2013 will remain in effect while the parties continue to collaborate and are evaluating the next steps in relation to ThermoDox®, which include the sub-group analysis of patients in the Phase III HEAT Study for the hepatocellular carcinoma clinical indication and other activities to further the development of ThermoDox® for the Greater China market. The $5.0 million received as a non-refundable payment from Hisun in the first quarter 2013 has been recorded to deferred revenue and will continue to be amortized over the 10 -year term of the agreement, until such time as the parties find a mutually acceptable path forward on the development of ThermoDox® based on findings of the ongoing post-study analysis of the HEAT Study data.

On July 19, 2013, the Company and Hisun entered into a Memorandum of Understanding to pursue ongoing cooperation for the continued clinical development of ThermoDox® as well as the technology transfer relating to the commercial manufacture of ThermoDox® for the China territory. This expanded level of cooperation includes development of the next generation liposomal formulation with the goal of creating safer, more efficacious versions of marketed cancer chemotherapeutics.

Among the key provisions of the Celsion-Hisun Memorandum of Understanding are:

- Hisun will provide the Company with internal resources necessary to complete the technology transfer of the Company's proprietary manufacturing process and the production of registration batches for the China territory;

- Hisun will coordinate with the Company around the clinical and regulatory approval activities for ThermoDox® as well as other liposomal formations with the CHINA FDA; and

- Hisun will be granted a right of *first* offer for a commercial license to ThermoDox® for the sale and distribution of ThermoDox® in the China territory.

On August 8, 2016, we signed a Technology Transfer, Manufacturing and Commercial Supply Agreement ("GEN-1 Agreement") with Hisun to pursue an expanded partnership for the technology transfer relating to the clinical and commercial manufacture and supply of GEN-1, Celsion's proprietary gene mediated, IL-12 immunotherapy, for the greater China territory, with the option to expand into other countries in the rest of the world after all necessary regulatory approvals are in effect. The GEN-1 Agreement will help to support supply for both ongoing and planned clinical studies in the U.S., and for potential future studies of GEN-1 in China. GEN-1 is currently being evaluated by Celsion in first line ovarian cancer patients.

Key provisions of the GEN-1 Agreement are as follows:

- the GEN-1 Agreement has targeted unit costs for clinical supplies of GEN-1 that are substantially competitive with the Company's current suppliers;

- once approved, the cost structure for GEN-1 will support rapid market adoption and significant gross margins across global markets;

- Celsion will provide Hisun a certain percentage of China's commercial unit demand, and separately of global commercial unit demand, subject to regulatory approval;

- Hisun and Celsion will commence technology transfer activities relating to the manufacture of GEN-1, including all studies required by CHINA FDA for site approval; and

- Hisun will collaborate with Celsion around the regulatory approval activities for GEN-1 with the CHINA FDA. A local China partner affords Celsion access to accelerated CHINA FDA review and potential regulatory exclusivity for the approved indication.

The Company evaluated the Hisun arrangement in accordance with ASC 606 and determined that its performance obligations under the agreement include the non-exclusive, royalty-free license, research and development services to be provided by the Company, and its obligation to serve on a joint committee. The Company concluded that the license was not distinct since its value is closely tied to the ongoing research and development activities. As such, the license and the research and development services are bundled as a single performance obligation. Since the provision of the license and research and development services are considered a single performance obligation, the $5,000,000 upfront payment is being recognized as revenue ratably through 2022.

**Note 18. Commitments and Contingencies**

On September 20, 2019, a purported stockholder of the Company filed a derivative and putative class action lawsuit against the Company and certain officers and directors (the "Shareholder Action"). The Company was a defendant in this derivative and putative class action lawsuit in the Superior Court of New Jersey, Chancery Division, filed by a shareholder against the Company (as both a class action defendant and nominal defendant), and certain of its officers and directors (the "Individual Defendants"), with the caption *O'Connor v. Braun et al., Docket No. MER-C-000068-19* (the "Shareholder Action"). The Shareholder Action alleged breaches of the defendants' fiduciary duties based on allegations that the defendants omitted or made improper statements when seeking shareholder approval of the 2018 Stock Incentive Plan. The Shareholder Action sought, among other things, any damages sustained by the Company as a result of the defendants' alleged wrongdoing, a declaratory judgment against all defendants invalidating the 2018 Stock Incentive Plan and declaring any awards made under the Plan invalid, rescinded, and subject to disgorgement, an order disgorging the equity awards granted to the Individual Defendants under the 2018 Stock Incentive Plan, and attorneys' fees and costs.

On April 24, 2020, the Company, the Individual Defendants, and the plaintiff (the "Parties") entered into a Settlement Agreement and Release (the "Settlement Agreement"), which memorializes the terms of the Parties' settlement of the Shareholder Action (the "Settlement"). The Settlement calls for repricing of certain stock options and payment of plaintiff legal fees of $187,500. On July 24, 2020, the Court issued an order approving the Parties' proposed form of notice to shareholders regarding the Settlement. A hearing was held on September 8, 2020 whereby the Court issued a final approval approving the Settlement. Pursuant to the Settlement, the Company paid $187,500 on October 1, 2020. Without admitting the validity of any of the claims asserted in the Shareholder Action, or any liability with respect thereto, and expressly denying all allegations of wrongdoing, fault, liability, or damage against the Company and the Individual Defendants arising out of any of the conduct, statements, acts or omissions alleged, or that could have been alleged, in the Shareholder Action, the Company and the Individual Defendants concluded that it was desirable that the claims be settled on the terms and subject to the conditions set forth in the Settlement Agreement. The Company and the Individual Defendants entered into the Settlement Agreement for settlement purposes only and solely to avoid the cost and disruption of further litigation.

On October 29, 2020, a putative securities class action was filed against the Company and certain of its officers and directors (the "Spar Individual Defendants") in the U.S. District Court for the District of New Jersey, captioned *Spar v. Celsion Corporation, et al.*, Case No. 1:20-cv-15228. The plaintiff alleges that the Company and Individual Defendants made false and misleading statements regarding one of the Company's product candidates, ThermoDox®, and brings claims for damages under Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder against all Defendants, and under Section 20(a) of the Exchange Act of 1934 against the Spar Individual Defendants. The Company believes that the case is without merit and intends to defend it vigorously. Due to the early stage of the case neither the likelihood that a loss, if any, will be realized, nor an estimate of possible loss or range of loss, if any, can be determined.

In February 2021, a derivative shareholder lawsuit was filed against the Company, as the nominal defendant, and certain of its directors and officers as defendants in the U.S. District Court for the District of New Jersey, captioned *Fidler v. Michael H. Tardugno et al.*, Case No. 3:21-cv-02662. The plaintiff alleges breach of fiduciary duty and other claims arising out of alleged statements made by certain of the Company's directors and/or officers regarding ThermoDox®. The Company believes it has meritorious defenses to these claims and intends to vigorously contest this suit. Due to the early stage of the case neither the likelihood that a loss, if any, will be realized, nor an estimate of possible loss or range of loss, if any, can be determined.

In August of 2021, a complaint regarding a corporate books and records demand was filed against the Company in the Court of Chancery of the State of Delaware, captioned *Pacheco v. Celsion Corporation*, Case No. 2021-0705. The plaintiff alleges he is entitled to inspect the Company's books and records concerning the OPTIMA Study and other materials. The Company believes that the scope of the demand is without merit and intends to defend it vigorously. Due to the early stage of the case neither the likelihood that a loss, if any, will be realized, nor an estimate of possible loss or range of loss, if any, can be determined.

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

*The following discussion and analysis of our financial condition and results of operations This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those discussed in forward-looking statements. Factors that might cause a difference include, but are not limited to, those discussed above under "Cautionary Note Regarding Forward-Looking Statements", and in Item 1A. Risk factors in our Annual Report on Form 10-K for the fiscal year ended December 31, 2020.*

**Strategic and Clinical Overview**

Celsion Corporation ("Celsion" and the "Company") is a fully integrated, clinical stage biotechnology company focused on advancing a portfolio of innovative treatments including DNA-based immunotherapies, next generation vaccines and directed chemotherapies through clinical trials and eventual commercialization. The Company's product pipeline includes GEN-1, a DNA-based immunotherapy for the localized treatment of ovarian cancer and ThermoDox®, a proprietary heat-activated liposomal encapsulation of doxorubicin, currently under investigator-sponsored development for several cancer indications. Celsion has two feasibility stage platform technologies for the development of novel nucleic acid-based immunotherapies and next generation vaccines and other anti-cancer DNA or RNA therapies. Both are novel synthetic, non-viral vectors with demonstrated capability in nucleic acid cellular transfection.

***IMMUNO-ONCOLOGY Program***

On June 20, 2014, the Company completed the acquisition of substantially all of the assets of EGEN, a private company located in Huntsville, Alabama. Pursuant to the Asset Purchase Agreement, CLSN Laboratories acquired all of EGEN's right, title and interest in substantially all of the assets of EGEN, including cash and cash equivalents, patents, trademarks and other intellectual property rights, clinical data, certain contracts, licenses and permits, equipment, furniture, office equipment, furnishings, supplies and other tangible personal property. A key asset acquired from EGEN was the TheraPlas technology platform. The first drug candidate developed from this technology platform is GEN-1.

***THERAPLAS Technology Platform***

TheraPlas is a technology platform for the delivery of DNA and mRNA therapeutics via synthetic non-viral carriers and is capable of providing cell transfection for double-stranded DNA plasmids and large therapeutic RNA segments such as mRNA. There are two components of the TheraPlas system, a plasmid DNA or mRNA payload encoding a therapeutic protein, and a delivery system. The delivery system is designed to protect the DNA/mRNA from degradation and promote trafficking into cells and through intracellular compartments. We designed the delivery system of TheraPlas by chemically modifying the low molecular weight polymer to improve its gene transfer activity without increasing toxicity. We believe that TheraPlas may be a viable alternative to current approaches to gene delivery due to several distinguishing characteristics, including enhanced molecular versatility that allows for complex modifications to potentially improve activity and safety.

The design of the TheraPlas delivery system is based on molecular functionalization of polyethyleneimine (PEI), a cationic delivery polymer with a distinct ability to escape from the endosomes due to heavy protonation. The transfection activity and toxicity of PEI is tightly coupled to its molecular weight; therefore, the clinical application of PEI is limited. We have used molecular functionalization strategies to improve the activity of low molecular weight PEIs without augmenting their cytotoxicity. In one instance, chemical conjugation of a low molecular weight branched BPEI1800 with cholesterol and polyethylene glycol (PEG) to form PEG-PEI-Cholesterol (PPC) dramatically improved the transfection activity of BPEI1800 following in vivo delivery. Together, the cholesterol and PEG modifications produced approximately 20-fold enhancement in transfection activity. Biodistribution studies following intraperitoneal or subcutaneous administration of DNA/PPC nanocomplexes showed DNA delivery localized primarily at the injection site with only small amount escaping into the systemic circulation. PPC is the delivery component of our lead TheraPlas product, GEN-1, which is in clinical development for the treatment of ovarian cancer. The PPC manufacturing process has been scaled up from bench scale (1-2 g) to 0.6Kg, and several current Good Manufacturing Practice ("cGMP") lots have been produced with reproducible quality.

We believe that TheraPlas has emerged as a viable alternative to current approaches due to several distinguishing characteristics such as strong molecular versatility that may allow for complex modifications to potentially improve activity and safety with little difficulty. The biocompatibility of these polymers reduces the risk of adverse immune response, thus allowing for repeated administration. Compared to naked DNA or cationic lipids, TheraPlas is generally safer, more efficient, and cost effective. We believe that these advantages place Celsion in a strong position to capitalize on this technology platform.

**Ovarian Cancer Overview**

Ovarian cancer is the most lethal of gynecological malignancies among women with an overall five-year survival rate of 45%. This poor outcome is due in part to the lack of effective prevention and early detection strategies. There were approximately 22,000 new cases of ovarian cancer in the U.S. in 2014 with an estimated 14,000 deaths. Mortality rates for ovarian cancer declined very little in the last forty years due to the unavailability of detection tests and improved treatments. Most women with ovarian cancer are not diagnosed until Stages III or IV, when the disease has spread outside the pelvis to the abdomen and areas beyond causing swelling and pain, where the five-year survival rates are 25 - 41 percent and 11 percent, respectively. First-line chemotherapy regimens are typically platinum-based combination therapies. Although this first line of treatment has an approximate 80 percent response rate, 55 to 75 percent of women will develop recurrent ovarian cancer within two years and ultimately will not respond to platinum therapy. Patients whose cancer recurs or progresses after initially responding to surgery and first-line chemotherapy have been divided into one of the two groups based on the time from completion of platinum therapy to disease recurrence or progression. This time period is referred to as platinum-free interval. The platinum-sensitive group has a platinum-free interval of longer than six months. This group generally responds to additional treatment with platinum-based therapies. The platinum-resistant group has a platinum-free interval of shorter than six months and is resistant to additional platinum-based treatments. Pegylated liposomal doxorubicin, topotecan, and Avastin are the only approved second-line therapies for platinum-resistant ovarian cancer. The overall response rate for these therapies is 10 to 20 percent with median overall survival ("OS") of eleven to twelve months. Immunotherapy is an attractive novel approach for the treatment of ovarian cancer particularly since ovarian cancers are considered immunogenic tumors. IL-12 is one of the most active cytokines for the induction of potent anti-cancer immunity acting through the induction of T-lymphocyte and natural killer cell proliferation. The precedence for a therapeutic role of IL-12 in ovarian cancer is based on epidemiologic and preclinical data.

**GEN-1 Immunotherapy**

GEN-1 is a DNA-based immunotherapeutic product candidate for the localized treatment of ovarian cancer by intraperitoneally administering an Interleukin-12 ("IL-12") plasmid formulated with our proprietary TheraPlas delivery system. In this DNA-based approach, the immunotherapy is combined with a standard chemotherapy drug, which can potentially achieve better clinical outcomes than with chemotherapy alone. We believe that increases in IL-12 concentrations at tumor sites for several days after a single administration could create a potent immune environment against tumor activity and that a direct killing of the tumor with concomitant use of cytotoxic chemotherapy could result in a more robust and durable antitumor response than chemotherapy alone. We believe the rationale for local therapy with GEN-1 is based on the following:

- Loco-regional production of the potent cytokine IL-12 avoids toxicities and poor pharmacokinetics associated with systemic delivery of recombinant IL-12;
- Persistent local delivery of IL-12 lasts up to one week and dosing can be repeated; and
- Local therapy is ideal for long-term maintenance therapy.

***OVATION I Study.*** In February 2015, we announced that the U.S. Food and Drug Administration ("FDA") accepted, without objection, the Phase I dose-escalation clinical trial of GEN-1 in combination with the standard of care in neoadjuvant ovarian cancer (the "OVATION I Study"). On September 30, 2015, we announced enrollment of the first patient in the OVATION I Study. The OVATION I Study was designed to:

(i) identify a safe, tolerable and therapeutically active dose of GEN-1 by recruiting and maximizing an immune response;

(ii) enroll three to six patients per dose level and evaluate safety and efficacy; and

(iii) attempt to define an optimal dose for a follow-on Phase I/II study.

In addition, the OVATION I Study established a unique opportunity to assess how cytokine-based compounds such as GEN-1, directly affect ovarian cancer cells and the tumor microenvironment in newly diagnosed ovarian cancer patients. The study was designed to characterize the nature of the immune response triggered by GEN-1 at various levels of the patients' immune system, including:

- Infiltration of cancer fighting T-cell lymphocytes into primary tumor and tumor microenvironment including peritoneal cavity, which is the primary site of metastasis of ovarian cancer;
- Changes in local and systemic levels of immuno-stimulatory and immunosuppressive cytokines associated with tumor suppression and growth, respectively; and
- Expression profile of a comprehensive panel of immune related genes in pre-treatment and GEN-1-treated tumor tissue.

We initiated the OVATION I Study at four clinical sites at the University of Alabama at Birmingham, Oklahoma University Medical Center, Washington University in St. Louis, and the Medical College of Wisconsin. During 2016 and 2017, we announced data from the first fourteen patients in the OVATION I Study. On October 3, 2017, we announced final translational research and clinical data from the OVATION I Study.

Key translational research findings from all evaluable patients are consistent with the earlier reports from partial analysis of the data and are summarized below:

- The intraperitoneal treatment of GEN-1 in conjunction with NACT resulted in dose dependent increases in IL-12 and Interferon-gamma (IFN-γ) levels that were predominantly in the peritoneal fluid compartment with little to no changes observed in the patients' systemic circulation. These and other post-treatment changes including decreases in VEGF levels in peritoneal fluid are consistent with an IL-12 based immune mechanism;

- Consistent with the previous partial reports, the effects observed in the IHC analysis were pronounced decreases in the density of immunosuppressive T-cell signals (Foxp3, PD-1, PDL-1, IDO-1) and increases in CD8+ cells in the tumor microenvironment;

- The ratio of CD8+ cells to immunosuppressive cells was increased in approximately 75% of patients suggesting an overall shift in the tumor microenvironment from immunosuppressive to pro-immune stimulatory following treatment with GEN-1. An increase in CD8+ to immunosuppressive T-cell populations is a leading indicator and believed to be a good predictor of improved OS; and

- Analysis of peritoneal fluid by cell sorting, not reported before, shows a treatment-related decrease in the percentage of immunosuppressive T-cell (Foxp3+), which is consistent with the reduction of Foxp3+ T-cells in the primary tumor tissue, and a shift in tumor naïve CD8+ cell population to more efficient tumor killing memory effector CD8+ cells.

The Company also reported positive clinical data from the first fourteen patients who completed treatment in the OVATION I Study. GEN-1 plus standard chemotherapy produced no dose limiting toxicities and positive dose dependent efficacy signals which correlate well with positive surgical outcomes as summarized below:

- Of the fourteen patients treated in the entire study, two patients demonstrated a complete response, ten patients demonstrated a partial response and two patients demonstrated stable disease, as measured by RECIST criteria. This translates to a 100% disease control rate and an 86% objective response rate ("ORR"). Of the five patients treated in the highest dose cohort, there was a 100% ORR with one complete response and four partial responses;

- Fourteen patients had successful resections of their tumors, with nine patients (64%) having a complete tumor resection ("R0"), which indicates a microscopically margin-negative resection in which no gross or microscopic tumor remains in the tumor bed. Seven out of eight (88%) patients in the highest two dose cohorts experienced a R0 surgical resection. All five patients treated at the highest dose cohort experienced a R0 surgical resection; and

- All patients experienced a clinically significant decrease in their CA-125 protein levels as of their most recent study visit. CA-125 is used to monitor certain cancers during and after treatment. CA-125 is present in greater concentrations in ovarian cancer cells than in other cells.

On March 2, 2019, the Company announced final progression free survival ("PFS") results from the OVATION I Study. Median PFS in patients treated per protocol (n=14) was 21 months and was 17.1 months for the intent-to-treat ("ITT") population (n=18) for all dose cohorts, including three patients who dropped out of the study after 13 days or less, and two patients who did not receive full NAC and GEN-1 cycles. Under the current standard of care, in women with Stage III/IV ovarian cancer undergoing NAC, their disease progresses within about 12 months on average. The results from the OVATION I Study support continued evaluation of GEN-1 based on promising tumor response, as reported in the PFS data, and the ability for surgeons to completely remove visible tumor at interval debulking surgery. GEN-1 was well tolerated, and no dose-limiting toxicities were detected. Intraperitoneal administration of GEN-1 was feasible with broad patient acceptance.

***OVATION 2 Study.*** The Company held an Advisory Board Meeting on September 27, 2017 with the clinical investigators and scientific experts including those from Roswell Park Cancer Institute, Vanderbilt University Medical School, and M.D. Anderson Cancer Center to review and finalize clinical, translational research and safety data from the OVATION I Study in order to determine the next steps forward for our GEN-1 immunotherapy program.

On November 13, 2017, the Company filed its Phase I/II clinical trial protocol with the FDA for GEN-1 for the localized treatment of ovarian cancer. The protocol is designed with a single dose escalation phase to 100 mg/m² to identify a safe and tolerable dose of GEN-1 while maximizing an immune response. The Phase I portion of the study will be followed by a continuation at the selected dose in approximately 110 patients randomized Phase II study.

In the OVATION 2 Study, patients in the GEN-1 treatment arm will receive GEN-1 plus chemotherapy pre- and post-interval debulking surgery ("IDS"). The OVATION 2 Study will include up to 110 patients with Stage III/IV ovarian cancer, with 12 to 15 patients in the Phase I portion and up to 95 patients in Phase II. The study is powered to show a 33% improvement in the primary endpoint, PFS, when comparing GEN-1 with neoadjuvant + adjuvant chemotherapy versus neoadjuvant + adjuvant chemotherapy alone. The PFS primary analysis will be conducted after at least 80 events have been observed or after all patients have been followed for at least 16 months, whichever is later.

In March 2020, the Company announced encouraging initial clinical data from the first 15 patients enrolled in the Phase I portion of the OVATION 2 Study for patients newly diagnosed with Stage III and IV ovarian cancer. The OVATION 2 Study combines GEN-1, the Company's IL-12 gene-mediated immunotherapy, with standard-of-care neoadjuvant chemotherapy (NACT). Following NACT, patients undergo interval debulking surgery (IDS), followed by three additional cycles of chemotherapy.

GEN-1 plus standard NACT produced positive dose-dependent efficacy results, with no dose-limiting toxicities, which correlates well with successful surgical outcomes as summarized below:

- Of the 15 patients treated in the Phase I portion of the OVATION 2 Study, nine patients were treated with GEN-1 at a dose of 100 mg/m² plus NACT and six patients were treated with NACT only. All 15 patients had successful resections of their tumors, with eight out of nine patients (88%) in the GEN-1 treatment arm having an R0 resection, which indicates a microscopically margin-negative complete resection in which no gross or microscopic tumor remains in the tumor bed. Only three out of six patients (50%) in the NACT only treatment arm had a R0 resection.

- When combining these results with the surgical resection rates observed in the Company's prior Phase Ib dose-escalation trial (the OVATION 1 Study), a population of patients with inclusion criteria identical to the OVATION 2 Study, the data reflect the strong dose-dependent efficacy of adding GEN-1 to the current standard of care NACT:

| | | % of Patients with R0 Resections |
|---|---|---|
| 0, 36, 47 mg/m² of GEN-1 plus NACT | n=12 | 42% |
| 61, 79, 100 mg/m² of GEN-1 plus NACT | n=17 | 82% |

- The ORR as measured by Response Evaluation Criteria in Solid Tumors (RECIST) criteria for the 0, 36, 47 mg/m² dose GEN-1 patients were comparable, as expected, to the higher (61, 79, 100 mg/m²) dose GEN-1 patients, with both groups demonstrating an approximate 80% ORR.

On March 23, 2020, the Company announced that the European Medicines Agency (the "EMA") Committee for Orphan Medicinal Products ("COMP") has recommended that GEN-1 be designated as an orphan medicinal product for the treatment of ovarian cancer. GEN-1 is an IL-12 DNA plasmid vector encased in a non-viral nanoparticle delivery system, which enables cell transfection followed by persistent, local secretion of the IL-12 protein. GEN-1 previously received orphan designation from the FDA.

On March 26, 2020, the Company announced with Medidata, a Dassault Systèmes company, that examining matched patient data provided by Medidata in a synthetic control arm ("SCA") with results from the Company's completed Phase Ib dose-escalating OVATION I Study showed positive results in progression-free survival ("PFS"). The hazard ratio ("HR") was 0.53 in the ITT group, showing strong signals of efficacy. Celsion believes these data may warrant consideration of strategies to accelerate the clinical development program for GEN-1 in newly diagnosed, advanced ovarian cancer patients by the FDA. In its March 2019 discussion with Celsion, the FDA noted that preliminary findings from the Phase Ib OVATION I Study were exciting but lacked a control group to evaluate GEN-1's independent impact on impressive tumor response, surgical results and PFS. The FDA encouraged the Company to continue its GEN-1 development program and consult with FDA with new findings that may have a bearing on designations such as Fast Track and Breakthrough Therapy.

SCAs have the potential to revolutionize clinical trials in certain oncology indications and some other diseases where a randomized control is not ethical or practical. SCAs are formed by carefully selecting control patients from historical clinical trials to match the demographic and disease characteristics of the patients treated with the new investigational product. SCAs have been shown to mimic the results of traditional randomized controls so that the treatment effects of an investigational product can be visible by comparison to the SCA. SCAs can help advance the scientific validity of single arm trials, and in certain indications, reduce time and cost, and expose fewer patients to placebos or existing standard-of-care treatments that might not be effective for them.

On July 27, 2020, the Company announced the randomization of the first two patients in the Phase II portion of the OVATION 2 Study with GEN-1 in advanced ovarian cancer. The Company anticipates completing enrollment of up to 110 patients in the first half of 2022. Because this is an open-label study, the Company intends to provide clinical updates throughout the course of treatment including response rates and surgical resection scores.

In February 2021, the Company announced that it has received Fast Track designation from the FDA for GEN-1, its DNA-mediated IL-12 immunotherapy currently in Phase II development for the treatment of advanced ovarian cancer and also provided an update on the OVATION 2 Study. The Company reported that approximately one-third, or 34 patients, of the anticipated 110 patients had been enrolled into the OVATION 2 Study, of which 20 are in the treatment arm and 14 are in the control. Currently, 27 patients have had their interval debulking surgery with the following results:

- 12 of 15, or 80%, of patients treated with GEN-1 had a R0 resection, which indicates a microscopically margin-negative complete resection in which no gross or microscopic tumor remains in the tumor bed.
- 7 of 12 patients, or 58%, of patients in the control arm had an R0 resection.
- This interim data represents a 38% improvement in R0 resection rates for GEN-1 patients compared with control arm patients and is consistent with the reported improvement in resection scores noted in the encouraging Phase I OVATION I Study, the manuscript of which has been submitted for peer review publication.

The Company further reported that 22 clinical sites in the U.S. and Canada have been initiated, with three more sites expected to be added by the end of the first quarter. Clinical investigators met in early February 2021 in a virtual meeting and expressed excitement about the potential for GEN-1 to treat advanced ovarian cancer and, despite the challenges and earlier delays posed by the COVID-19 pandemic, they remain committed to completing enrollment in the study during the first half of 2022.

***PLACCINE DNA VACCINE TECHNOLOGY PLATFORM***

In January 2021, the Company announced the filing of a provisional U.S. patent application for a novel DNA-based, investigational vaccine for preventing or treating infections from a broad range of infectious agents including the coronavirus disease using its PLACCINE DNA vaccine technology platform (“PLACCINE”). The provisional patent covers a family of novel composition of multi-cistronic vectors and polymeric nanoparticles that comprise the PLACCINE DNA vaccine platform technology for preventing or treating infectious agents that have the potential for global pandemics, including the SARS-CoV-2 virus and its variations, using the Company’s platform technology.

Celsion’s PLACCINE DNA vaccine technology platform is characterized by a single multi-cistronic DNA plasmid vector expressing multiple pathogen antigens along with a potent immune modifier and delivered with a synthetic delivery system. It is easily adaptable to creating vaccines for a multitude of pathogens, including emerging pathogens leading to pandemics as well as infectious diseases that have yet to be effectively addressed with current vaccine technologies. This flexible vaccine platform is well supported by an already established supply chain to produce any plasmid vector and its assembly into a respective vaccine formulation.

PLACCINE is an extension of the Company’s synthetic, non-viral TheraPlas delivery technology currently in a Phase II trial for the treatment of late-stage ovarian cancer with GEN-1. Celsion’s proprietary multifunctional DNA vaccine technology concept is built on the flexible PLACCINE technology platform that is amenable to rapidly responding to the SARS-CoV-2 virus, as well as possible future mutations of SARS-CoV-2, other future pandemics, emerging bioterrorism threats, and novel infectious diseases. Celsion’s extensive experience with TheraPlas suggests that the PLACCINE-based nanoparticles are stable at storage temperatures of $4^{o}$C to $25^{o}$C, making vaccines developed on this platform easily suitable for broad world-wide distribution.

Celsion’s vaccine approach is designed to optimize the quality of the immune response dictating the efficiency of pathogen clearance and patient recovery. Celsion has taken a multivalent approach in an effort to generate an even more robust immune response that not only results in a strong neutralizing antibody response, but also a more robust and durable T-cell response. Delivered with Celsion’s synthetic polymeric system, the proprietary DNA plasmid is protected from degradation and its cellular uptake is facilitated.

**COVID-19 Vaccine Overview**

Emerging data from the recent literature indicates that the quality of the immune response as opposed to its absolute magnitude is what dictates SARS-CoV-2 viral clearance and recovery and that an ineffective or non-neutralizing enhanced antibody response might actually exacerbate disease. The first-generation COVID-19 vaccines were developed for rapid production and deployment and were not optimized for generating cellular responses that result in effective viral clearance. Though early data has indicated some of these vaccines to be over 95% effective, these first-generation vaccines were primarily designed to generate a strong antibody response and, while they have been shown to provide prophylactic protection against disease, the durability of this protection is currently unclear. The vast majority of these vaccines have been specifically developed to target the SARS-CoV-2 Spike (S) protein (antigen), though it is known that restricting a vaccine to a sole viral antigen creates selection pressure that can serve to facilitate the emergence of viral resistance. Indeed, even prior to full vaccine rollout, it has been observed that the S protein is a locus for rapid evolutionary and functional change as evidenced by the D614G, Y453F, 501Y.V2, and VUI-202012/01 mutations/deletions. This propensity for mutation of the S protein leads to future risk of efficacy reduction over time as these mutations accumulate.

**Our Next Generation Vaccine Initiative**

Celsion's next generation vaccine initiative stands at the confluence of immunotherapy and immunogenicity and envisions delivery, on a single plasmid, multiple SARS-CoV-2 antigens in conjunction with a potent immune modifier, interleukin-12 (IL-12), which directs a TH-1 immune response, stimulates T-cell immunity, and also promises the promotion of humoral immunity (antibody response). While most COVID-19 vaccines in late-stage clinical development are monovalent (S protein antigen only), Celsion has taken this multivalent approach in an effort to generate an even more robust immune response that not only results in a strong neutralizing antibody response, but also a more robust and durable T-cell response.

Celsion's vaccine candidate approach comprises a single plasmid vector containing the DNA sequence encoding the cytokine IL-12 and multiple SARS-CoV-2 antigens, including S antigen in combination with the membrane (M) or nucleocapsid (N) antigen. Delivery will be evaluated intramuscularly, intradermally, or subcutaneously with a non-viral synthetic DNA delivery carrier that facilitates vector delivery into the cells of the injected tissue and has potential immune adjuvant properties. Unique designs and formulations of Celsion vaccine candidates may offer several potential key advantages.

- While the antibodies against S antigen would prevent virus entry into cells, the M and N antibodies could help virus clearance through antibody-mediated opsonization and phagocytosis. The presentation of multiple antigens on the cell surface of vaccine-injected tissue produces a broad variety of killer T-cells which could potentially produce more efficient viral clearance than a single antigen vaccine.

- Since IL-12 is an essential regulator of the differentiation, proliferation, and maintenance of T helper 1 (TH-1) cells that generate killer T-cells and memory T-cells against virally infected cells, its simultaneous expression could boost the viral clearance by the vaccine and improve the immune system's memory against any future exposure of the same virus.

- Finally, the synthetic polymeric DNA carrier is an important component of the vaccine composition as it has the potential to facilitate the vaccine immunogenicity by improving vector delivery and, due to potential adjuvant properties, attract professional immune cells to the site of vaccine delivery.

Future vaccine technology will need to address viral mutations and the challenges of efficient manufacturing, distribution, and storage. We believe an adaptation of our TheraPlas technology, PLACCINE, has the potential to meet these challenges. Our approach is described in our provisional patent filing and is summarized as a DNA vaccine technology platform characterized by a single plasmid DNA with multiple coding regions. The plasmid vector is designed to express multiple pathogen antigens along with a potent immune modifier. It is delivered via a synthetic delivery system and has the potential to be easily modified to create vaccines against a multitude of infectious diseases, addressing:

- **Viral Mutations**: PLACCINE may offer broad-spectrum and mutational resistance (variants) by targeting multiple antigens on a single plasmid vector.

- **Enhanced Efficacy**: The potent immune modifier IL-12 may improve humoral and cellular responses to viral antigens and can be incorporated in the plasmid.

- **Durable Efficacy**: PLACCINE delivers a DNA plasmid-based antigen that can result in durable antigen exposure and a robust vaccine response to viral antigens.

- **Storage & Distribution**: PLACCINE allows for stability that is compatible with manageable vaccine storage and distribution.

- **Simple Dosing & Administration**: PLACCINE is a synthetic delivery system that should require a simple injection that does not require viruses or special equipment to deliver its payload.

We are conducting preliminary research associated with our recently announced proprietary DNA vaccine platform provisional patent filing. At the same time, we are redoubling our efforts and R&D resources in our immuno-oncology and next generation vaccine program.

On September 2, 2021, the Company announced results from preclinical *in vivo* studies showing production of antibodies and cytotoxic T-cell response specific to the spike antigen of SARS-CoV-2 when immunizing BALB/c mice with the Company's next-generation PLACCINE DNA vaccine platform. Moreover, the antibodies to SARS-CoV-2 spike antigen prevented the infection of cultured cells in a viral neutralization assay. The production of antibodies predicts the ability of PLACCINE to protect against SARS-CoV-2 exposure, and the elicitation of cytotoxic T-cell response shows the vaccine's potential to eradicate cells infected with SARS-CoV-2. These findings demonstrate the potential immunogenicity of Celsion's PLACCINE DNA vaccine, which is intended to provide broad-spectrum protection and resistance against variants by incorporating multiple viral antigens, to improve vaccine stability at storage temperatures of $4^{o}$ C and above, and to facilitate cheaper and easier manufacturing.

**THERMODOX® - DIRECTED CHEMOTHERAPY**

Liposomes are manufactured submicroscopic vesicles consisting of a discrete aqueous central compartment surrounded by a membrane bilayer composed of naturally occurring lipids. Conventional liposomes have been designed and manufactured to carry drugs and increase residence time, thus allowing the drugs to remain in the bloodstream for extended periods of time before they are removed from the body. However, the current existing liposomal formulations of cancer drugs and liposomal cancer drugs under development do not provide for the immediate release of the drug and the direct targeting of organ specific tumors, two important characteristics that are required for improving the efficacy of cancer drugs such as doxorubicin. A team of research scientists at Duke University developed a heat-sensitive liposome that rapidly changes its structure when heated to a threshold minimum temperature of 39.5º to 42º Celsius. Heating creates channels in the liposome bilayer that allow an encapsulated drug to rapidly disperse into the surrounding tissue. This novel, heat-activated liposomal technology is differentiated from other liposomes through its unique low heat-activated release of encapsulated chemotherapeutic agents. We are able to use several available focused-heat technologies, such as radiofrequency ablation ("RFA"), microwave energy and high intensity focused ultrasound ("HIFU"), to activate the release of drugs from our novel heat sensitive liposomes.

**Celsion's Approach**

While RFA uses extremely high temperatures (greater than 90° Celsius) to ablate the tumor, it may fail to treat micro-metastases in the outer margins of the ablation zone because temperatures in the periphery may not be high enough to destroy cancer cells. Our ThermoDox® treatment approach is designed to utilize the ability of RFA devices to ablate the center of the tumor while simultaneously thermally activating our ThermoDox® liposome to release its encapsulated doxorubicin to kill any remaining viable cancer cells throughout the heated region, including the ablation margins. This novel treatment approach is intended to deliver the drug directly to those cancer cells that survive RFA. This approach is designed to increase the delivery of the doxorubicin at the desired tumor site while potentially reducing drug exposure distant to the tumor site.

***OPTIMA Study***

The OPTIMA Study represents an evaluation of ThermoDox® in combination with a first line therapy, RFA, for newly diagnosed, intermediate stage hepatocellular carcinoma ("HCC") patients. The OPTIMA Study was designed to enroll up to 550 patients globally at approximately 65 clinical sites in the U.S., Canada, European Union (EU), China and other countries in the Asia-Pacific region and will evaluate ThermoDox® in combination with standardized RFA, which will require a minimum of 45 minutes across all investigators and clinical sites for treating lesions three to seven centimeters, versus standardized RFA alone. The primary endpoint for the OPTIMA Study is OS, and the secondary endpoints are progression free survival and safety. The statistical plan calls for two interim efficacy analyses by an independent Data Monitoring Committee ("DMC").

On February 24, 2014, we announced that the FDA provided clearance for the OPTIMA Study, which is a pivotal, double-blind, placebo-controlled Phase III trial of ThermoDox®, in combination with standardized RFA, for the treatment of primary liver cancer. The trial design of the OPTIMA Study is based on the comprehensive analysis of data from an earlier Phase III clinical trial called the HEAT Study (the "HEAT Study"). The OPTIMA Study is supported by a hypothesis developed from an OS analysis of a large subgroup of patients from the HEAT Study.

Post-hoc data analysis from our earlier Phase III HEAT Study suggests that ThermoDox® may substantially improve OS, when compared to the control group, in patients if their lesions undergo a 45-minute RFA procedure standardized for a lesion greater than 3 cm in diameter. Data from nine OS sweeps have been conducted since the top line progression free survival PFS data from the HEAT Study were announced in January 2013, with each data set demonstrating substantial improvement in clinical benefit over the control group with statistical significance. On August 15, 2016, we announced updated results from its final retrospective OS analysis of the data from the HEAT Study. These results demonstrated that in a large, well bounded, subgroup of patients with a single lesion (n=285, 41% of the HEAT Study patients), treatment with a combination of ThermoDox® and optimized RFA provided an average 54% risk improvement in OS compared to optimized RFA alone. The HR at this analysis is 0.65 (95% CI 0.45 - 0.94) with a p-value of 0.02. Median OS for the ThermoDox® group has been reached which translates into a two-year survival benefit over the optimized RFA group (projected to be greater than 80 months for the ThermoDox® plus optimized RFA group compared to less than 60 months projection for the optimized RFA only group). This information should be viewed with caution since it is based on a retrospective analysis of a subgroup.

We also conducted additional analyses that further strengthen the evidence for the HEAT Study subgroup.

- We commissioned an independent computational model at the University of South Carolina Medical School. The results unequivocally indicate that longer RFA heating times correlate with significant increases in doxorubicin concentration around the RFA treated tissue.

- In addition, we conducted a prospective preclinical study in 22 pigs using two different manufacturers of RFA and human equivalent doses of ThermoDox® that clearly support the relationship between increased heating duration and doxorubicin concentrations.

On August 13, 2019, the Company announced that results from an independent analysis of the Company's ThermoDox® HEAT Study conducted by the National Institutes of Health (NIH) were published in the peer-reviewed publication, *Journal of Vascular and Interventional Radiology*. The analysis was conducted by the intramural research program of the NIH and the NIH Center for Interventional Oncology, with the full data set from the Company's HEAT Study. The analysis evaluated the full data set to determine if there was a correlation between baseline tumor volume and RFA heating time (minutes/tumor volume in milliliters), with or without ThermoDox® treatment, for patients with HCC. The NIH analysis was conducted under the direction of Dr. Bradford Wood, MD, Director, NIH Center for Interventional Oncology and Chief, NIH Clinical Center Interventional Radiology.

The article titled, "*RFA Duration Per Tumor Volume May Correlate with Overall Survival in Solitary Hepatocellular Carcinoma Patients Treated with RFA Plus Lyso-thermosensitive Liposomal Doxorubicin*," discussed the NIH analysis of results from 437 patients in the HEAT Study (all patients with a single lesion representing 62.4% of the study population). The key finding was that increased RFA heating time per tumor volume significantly improved OS in patients with single-lesion HCC who were treated with RFA plus ThermoDox®, compared to patients treated with RFA alone. A one-unit increase in RFA duration per tumor volume was shown to result in about a 20% improvement in OS for patients administered ThermoDox®, compared to RFA alone. The authors conclude that increasing RFA heating time in combination with ThermoDox® significantly improves OS and establishes an improvement of over two years versus the control arm when the heating time per milliliter of tumor is greater than 2.5 minutes. This finding was consistent with the Company's own results, which defined the optimized RFA procedure as a 45-minute treatment for tumors with a diameter of 3 centimeters. Thus, the NIH analysis lent support to the hypothesis underpinning the OPTIMA Study.

In August 2018, the Company announced that the OPTIMA Study was fully enrolled. On August 5, 2019, the Company announced that the prescribed number of OS events had been reached for the first prespecified interim analysis of the OPTIMA Phase III Study. Following preparation of the data, the first interim analysis was conducted by the DMC. The DMC's pre-planned interim efficacy review followed 128 patient events, or deaths, which occurred in August 2019. On November 4, 2019, the Company announced that the DMC unanimously recommended the OPTIMA Study continue according to protocol. The recommendation was based on a review of blinded safety and data integrity from 556 patients enrolled in the OPTIMA Study. Data presented demonstrated that PFS and OS data appeared to be tracking with patient data observed at a similar point in the Company's subgroup of patients followed prospectively in the earlier Phase III HEAT Study, upon which the OPTIMA Study was based.

On April 15, 2020, the Company announced that the prescribed minimum number of events of 158 patient deaths had been reached for the second pre-specified interim analysis of the OPTIMA Phase III Study. The hazard ratio for success at 158 deaths is 0.70, which represents a 30% reduction in the risk of death compared with RFA alone. On July 13, 2020, the Company announced that it has received a recommendation from the DMC to consider stopping the global OPTIMA Study. The recommendation was made following the second pre-planned interim safety and efficacy analysis by the DMC on July 9, 2020. The DMC analysis found that the pre-specified boundary for stopping the trial for futility of 0.900 was crossed with an actual value of 0.903. However, the 2-sided p-value of 0.524 for this analysis provides uncertainty, subsequently, the DMC left the final decision of whether or not to stop the OPTIMA Study to Celsion. There were no safety concerns noted during the interim analysis. The Company followed the advice of the DMC and considered its options either to stop the study or continue to follow patients after a thorough review of the data, and an evaluation of our probability of success.

On August 4, 2020, the Company issued a press release announcing it would continue following patients for OS, noting that the unexpected and marginally crossed futility boundary, suggested by the Kaplan-Meier analysis at the second interim analysis on July 9, 2020, may be associated with a data maturity issue. On October 12, 2020, the Company provided an update on the ongoing data analysis from its Phase III OPTIMA Study with ThermoDox® as well as growing interest among clinical investigators in conducting studies with ThermoDox® as a monotherapy or in combination with other therapies.

- Celsion engaged a global biometrics contract research organization, with forensic statistical analysis capability that specializes in data management, statistical consulting, statistical analysis and data sciences, with particular expertise in evaluating unusual data from clinical trials and experience with associated regulatory issues. The primary objective of the CRO's work was to determine the basis and reasoning behind continuing to follow patients for survival, and if there were outside influences that may have impacted the forecast of futility.

- In parallel, the Company submitted all OPTIMA Study clinical trial data to the National Institutes of Health (NIH) and with the expectation of receiving a report on the following:

    - A Cox Regression Analysis for single solitary lesions including minimum burn time per tumor volume, evaluating similarities to the hypothesis generated from the NIH paper published in the *Journal of Vascular and Interventional Radiology*, in which the key finding was that increased RFA heating time per tumor volume significantly improved OS in patients with single lesion HCC who were treated with RFA plus ThermoDox®, compared with patients treated with RFA alone.
    - A site-by-site evaluation for RFA heating time-based anomalies that may have contributed to the treatment arm performance.
    - An image-based evaluation comparing results from the OPTIMA Study to the data from the HEAT Study that led to the RFA heating time hypothesis.

On February 11, 2021, the Company provided a final update on the Phase III OPTIMA Study and the decision to stop following patients in the Study. Independent analyses conducted by a global biometrics contract research organization and the NIH, did not find any evidence of significance or factors that would justify continuing to follow patients for OS. Therefore, the Company notified all clinical sites to discontinue following patients. The OPTIMA Study database of 556 patients will now be frozen at 185 patient deaths. While the analyses did identify certain patient subgroups that appear to have had a clinical benefit, the Company concluded that it would not be in its best interest to pursue these retrospective findings as the regulatory hurdles supporting further discussion will be significant.

**Investigator-Sponsored Studies with ThermoDox®**

Celsion continues working closely and supporting investigations by others throughout the world in breast cancer, pancreatic cancer and in solid tumors in children. Following inquiries from the NIH, we intend to renew our Cooperative Research and Development Agreement (CRADA) with the Institute at a nominal cost, one goal of which is to pursue their interest in a study of ThermoDox® to treat patients with bladder cancer. Importantly, Celsion is developing a business model to support these investigator-sponsored studies in a manner that will not interfere with the Company's focus on our GEN-1 program and vaccine development initiative.

Below are summaries of several investigator-sponsored studies using ThermoDox®:

- Oxford University commenced enrolling patients in a Phase I pancreatic cancer study with ThermoDox® in combination with High Intensity Focused Ultrasound (HIFU) in July of 2021. The primary objective of this trial, the *PanDox Study: Targeted Doxorubicin in Pancreatic Tumors*, is to quantify the enhancement in intratumoral doxorubicin concentration when delivered with ThermoDox® and HIFU, versus doxorubicin monotherapy. This study is being undertaken pursuant to promising data in a mouse model of pancreatic cancer, which was published in the *International Journal of Hyperthermia* in 2018. That preclinical study showed a 23x increase in intratumoral doxorubicin concentration with ThermoDox® + HIFU, compared with a 2x increase in intratumoral doxorubicin concentration with free doxorubicin plus HIFU.

- Utrecht University in the Netherlands continues to enroll patients in a Phase I breast cancer study to determine the safety, tolerability and feasibility of ThermoDox® in combination with Magnetic Resonance Guided High Intensity Focused Ultrasound (MR-HIFU) hyperthermia and cyclophosphamide therapy for the local treatment of the primary tumor in metastatic breast cancer (mBC). This investigator-sponsored study, which is being funded by the Dutch Cancer Society, the Center for Translational Molecular Medicine (a public-private partnership in the Netherlands), will be conducted at University Medical Center Utrecht and will enroll up to 12 newly diagnosed mBC patients. Celsion will supply Thermodox® clinical product for the trial.

- As evidence of the ongoing support Celsion enjoys from the NIH, they have organized a clinical project to evaluate ThermoDox® plus the chemotherapy drug mitomycin in bladder cancer. Depending on the NIH timelines, this study may commence as early as 2021.

***Business Plan***

Since inception, the Company has incurred substantial operating losses, principally from expenses associated with the Company's research and development programs, clinical trials conducted in connection with the Company's product candidates, and applications and submissions to the U.S. Food and Drug Administration. The Company has not generated significant revenue and has incurred significant net losses in each year since our inception. As of September 30, 2021, the Company has incurred approximately $329 million of cumulative net losses and had approximately $60.6 million in cash and cash equivalents, restricted cash, short-term investments and interest receivable. We have substantial future capital requirements to continue our research and development activities and advance our product candidates through various development stages. The Company believes these expenditures are essential for the commercialization of its technologies.

The Company expects its operating losses to continue for the foreseeable future as it continues its product development efforts, and when it undertakes marketing and sales activities. The Company's ability to achieve profitability is dependent upon its ability to obtain governmental approvals, manufacture, and market and sell its product candidates. There can be no assurance that the Company will be able to commercialize its technology successfully or that profitability will ever be achieved. The operating results of the Company have fluctuated significantly in the past.

In January 2020, the WHO declared an outbreak of coronavirus, COVID-19, to be a "Public Health Emergency of International Concern," and the U.S. Department of Health and Human Services declared a public health emergency to aid the U.S. healthcare community in responding to COVID-19. This virus has spread to over 100 countries, including the U.S. Governments and businesses around the world have taken unprecedented actions to mitigate the spread of COVID-19, including, but not limited to, shelter-in-place orders, quarantines, significant restrictions on travel, as well as restrictions that prohibit many employees from going to work. Uncertainty with respect to the economic impacts of the pandemic has introduced significant volatility in the financial markets. The Company did not observe significant impacts on its business or results of operations during 2020 and into 2021 due to COVID-19. While the extent to which COVID-19 impacts the Company's future results will depend on future developments, the pandemic and associated economic impacts could result in a material impact to the Company's future financial condition, results of operations and cash flows. The Company's ability to raise additional capital may be adversely impacted by potential worsening global economic conditions and the recent disruptions to, and volatility in, financial markets in the U.S. and worldwide resulting from the ongoing COVID-19 pandemic. The disruptions caused by COVID-19 may also disrupt the clinical trials process and enrolment of patients. This may delay commercialization efforts. The Company continues to monitor its operating activities in light of these events. The specific impact, if any, is not readily determinable as of the date of these financial statements.

The actual amount of funds the Company will need to operate is subject to many factors, some of which are beyond the Company's control. These factors include the following:

- the progress of research activities;
- the number and scope of research programs;
- the progress of preclinical and clinical development activities;
- the progress of the development efforts of parties with whom the Company has entered into research and development agreements;
- the costs associated with additional clinical trials of product candidates;
- the ability to maintain current research and development licensing arrangements and to establish new research and development and licensing arrangements;
- the ability to achieve milestones under licensing arrangements;
- the costs involved in prosecuting and enforcing patent claims and other intellectual property rights; and
- the costs and timing of regulatory approvals.

On July 13, 2020, the Company announced that it has received a recommendation from the independent DMC to consider stopping the global Phase III OPTIMA Study of ThermoDox® in combination with RFA for the treatment of HCC, or primary liver cancer. The recommendation was made following the second pre-planned interim safety and efficacy analysis by the DMC on July 9, 2020. The DMC's analysis found that the pre-specified boundary for stopping the trial for futility of 0.900 was crossed with an actual value of 0.903. The Company followed the advice of the DMC and considered its options to either stop the study or continue to follow patients after a thorough review of the data, and an evaluation of the probability of success. On February 11, 2021, the Company issued a letter to shareholders stating that the Company was notifying all clinical sites to discontinue following patients in the OPTIMA Study.

During 2020, 2019 and 2018, the Company submitted applications to sell a portion of the Company's State of New Jersey net operating losses as part of the Technology Business Tax Certificate Program sponsored by The New Jersey Economic Development Authority. Under the program, emerging biotechnology companies with unused NOLs and unused research and development credits are allowed to sell these benefits to other New Jersey-based companies. In 2018 and 2019, the Company sold NOLs totaling $13 million receiving net proceeds of $12.2 million. In June 2020 and as updated in September 2020, the Company filed an application with the New Jersey Economic Development Authority to sell substantially all of its remaining State of New Jersey net operating losses totaling $2.0 million available under the program. On February 12, 2021, the New Jersey Economic Development Authority approved the full amount of the Company's application. In February of 2021, the Company entered into an agreement to sell the net operating losses from the 2020 application and the Company received net proceeds of approximately $1.85 million on May 10, 2021. During 2021, the New Jersey State Legislature increased the maximum lifetime benefit per company from $15 million to $20 million, which will allow the Company to participate in this innovative funding program in future years. On June 16, 2021, the Company filed another application to sell approximately $1.6 million of net operating losses during 2021 and expects to receive up to approximately $1.4 million under the current year program.

In June 2018, the Company entered into a Credit Agreement with Horizon Technology Finance Corporation ("Horizon") that provided $10 million in capital (the "Horizon Credit Agreement"). The obligations under the Horizon Credit Agreement are secured by a first-priority security interest in substantially all assets of Celsion other than intellectual property assets. Payments under the loan agreement are interest only (calculated based on one-month LIBOR plus 7.625%) for the first 24 months through July 2020, followed by a 21-month amortization period of principal and interest starting on August 1, 2020 and ending through the scheduled maturity date on April 1, 2023. On August 28, 2020, in connection with an Amendment to the Horizon Credit Agreement, Celsion repaid $5 million of the $10 million loan and $0.2 million in related end of term charges, and the remaining $5 million in obligations were restructured. As more fully discussed in Note 11 to these financial statements, in June 2021, the Company entered into a $10 million loan facility with Silicon Valley Bank. The Company immediately used $6 million from this facility to retire all outstanding indebtedness with Horizon Technology Finance Corporation. The remaining $4 million will be available to be drawn down up to 12 months after closing and will be used for working capital and to fund the advancement of the Company's product pipelines. The funding is in the form of money market secured indebtedness bearing interest at a calculated WSJ Prime-based variable rate (currently 3.25%). Payments under the loan agreement are interest only for the first 24 months after loan closing, followed by a 24-month amortization period of principal and interest through the scheduled maturity date.

As more fully discussed in Note 12, during 2021 through the date of the filing of this Quarterly Report on Form 10-Q, the Company has raised approximately $6.9 million in gross proceeds from the use of its JonesTrading Capital on Demand™ financing facility, $35 million from a registered direct financing completed in January 2021, $15 million from a registered direct financing completed on April 5, 2021, and $1.5 million from warrant exercises. With $60.6 million in cash and cash equivalents, restricted cash, short-term investments and interest receivable, the Company believes it has sufficient capital resources to fund its operations through the end of 2024.

The Company has based its estimates on assumptions that may prove to be wrong. The Company may need to obtain additional funds sooner or in greater amounts than it currently anticipates. Potential sources of financing include strategic relationships, public or private sales of the Company's shares or debt, the sale of the Company's State of New Jersey net operating losses and other sources. If the Company raises funds by selling additional shares of common stock or other securities convertible into common stock, the ownership interest of existing stockholders may be diluted.

***Financing Overview***

*Equity, Debt and Other Forms of Financing*

During 2020, 2019 and 2018, the Company submitted applications to sell a portion of the Company's State of New Jersey net operating losses as part of the Technology Business Tax Certificate Program sponsored by The New Jersey Economic Development Authority. Under the program, emerging biotechnology companies with unused NOLs and unused research and development credits are allowed to sell these benefits to other New Jersey-based companies. In 2018 and 2019, the Company sold NOLs totaling $13 million receiving net proceeds of $12.2 million. In June 2020 and as updated in September 2020, the Company filed an application with the New Jersey Economic Development Authority to sell substantially all of its remaining State of New Jersey net operating losses totaling $2.0 million available under the program. On February 12, 2021, the New Jersey Economic Development Authority approved the full amount of the Company's application. In February of 2021, the Company entered into an agreement to sell the net operating losses from the 2020 application and the Company received net proceeds of approximately $1.85 million on May 10, 2021. During 2021, the New Jersey State Legislature increased the maximum lifetime benefit per company from $15 million to $20 million, which will allow the Company to participate in this innovative funding program in future years. On June 16, 2021, the Company filed another application to sell approximately $1.6 million of net operating losses during 2021 and expects to receive up to approximately $1.4 million under the current year program.

As previously discussed, the Company entered into a Credit Agreement with Horizon Technology Finance Corporation ("Horizon") that provided $10 million in capital (the "Horizon Credit Agreement") in June 2018. In August, 2020, in connection with an Amendment to the Horizon Credit Agreement, Celsion repaid $5 million of the $10 million loan and $0.2 million in related end of term charges, and the remaining $5 million in obligations were restructured. In June 2021, the Company entered into a $10 million loan facility with Silicon Valley Bank. The Company immediately used $6 million from this facility to retire all outstanding indebtedness with Horizon Technology Finance Corporation. The remaining $4 million will be available to be drawn down up to 12 months after closing. Payments under the loan agreement are interest only for the first 24 months after loan closing, followed by a 24-month amortization period of principal and interest through the scheduled maturity date.

In September 2018, the Company filed with the SEC a $75 million shelf registration statement on Form S-3 (the 2018 Shelf Registration Statement) that allows the Company to issue any combination of common stock, preferred stock or warrants to purchase common stock or preferred stock. This shelf registration was declared effective on October 12, 2018 and was fully utilized by the end of January 2021.

On March 19, 2021, the Company filed with the SEC a new $100 million shelf registration statement on Form S-3 (File No. 333-254515) (the "2021 Registration Statement") that allows the Company to issue any combination of common stock, preferred stock or warrants to purchase common stock or preferred stock. This shelf registration was declared effective on March 30, 2021.

During 2020 and 2021 through the date of this Quarterly Report filed on Form 10-Q, we issued a total of 62.5 million shares of common stock as discussed below for an aggregate $83.2 million in gross proceeds.

- On December 4, 2018, the Company entered into the Capital on Demand Agreement with JonesTrading, pursuant to which the Company may offer and sell, from time to time, through JonesTrading shares of Common Stock having an aggregate offering price of up to $16.0 million. During 2019, the Company sold and issued an aggregate of 0.5 million shares under the Capital on Demand Agreement, receiving approximately $1.0 million in gross proceeds. During 2020, the Company sold and issued an aggregate of 5.2 million shares under the Capital on Demand Agreement, receiving approximately $6.2 million in gross proceeds. During 2021 through the date of this Quarterly Report on Form 10-Q, the Company sold 7.2 million shares under the Capital on Demand Agreement, receiving approximately $6.9 million in gross proceeds under the Capital on Demand Agreement.

- On February 27, 2020, we entered into a Securities Purchase Agreement (the "February 2020 Purchase Agreement") with several institutional investors, pursuant to which we agreed to issue and sell, in a registered direct offering (the "February 2020 Offering"), an aggregate of 4,571,428 shares of our common stock at an offering price of $1.05 per share for gross proceeds of approximately $4.8 million before the deduction of the Placement Agent fees and offering expenses. In a concurrent private placement (the "Private Placement"), the Company issued to the investors that participated in the February 2020 Offering, for no additional consideration, warrants, to purchase up to 2,971,428 shares of common stock (the "Original Warrants"). The Original Warrants were initially exercisable six months following their date of issue and were set to expire on the five-year anniversary of such initial exercise date. The Original Warrants had an exercise price of $1.15 per share subject to adjustment as provided therein. On March 12, 2020, the Company entered into private exchange agreements (the "Exchange Agreements") with holders of the Original Warrants. Pursuant to the Exchange Agreements, in return for a higher exercise price of $1.24 per share of common stock, the Company issued new warrants to the Investors to purchase up to 3,200,000 shares of common stock (the "Exchange Warrants") in exchange for the Original Warrants. The Exchange Warrants, like the Original Warrants, are initially exercisable six months following their issuance (the "Initial Exercise Date") and expire on the five-year anniversary of their Initial Exercise Date. Other than having a higher exercise price, different issue date, Initial Exercise Date and expiration date, the terms of the Exchange Warrants are identical to those of the Original Warrants. On July 31, 2020, the Company filed a Form S-3 Registration Statement to register the shares of common stock issuable under the Exchange Warrants; the Registration Statement was declared effective by the SEC on August 13, 2020. No Exchange Warrants were exercised during 2020. During 2021 through the date of this Quarterly Report on Form 10-Q, the Company issued 1.2 million shares pursuant to investors exercising Exchange Warrants, receiving approximately $1.5 million.

- On June 22, 2020, the Company entered into an underwriting agreement (the "Underwriting Agreement") with Oppenheimer & Co. Inc. (the "Underwriter"), relating to the issuance and sale (the "Underwritten Offering") of 2,666,667 shares of the Company's common stock. Pursuant to the terms of the Underwriting Agreement, the Underwriter agreed to purchase the shares at a price of $3.4875 per share. The Underwriter offered the shares at a public offering price of $3.75 per share, reflecting an underwriting discount equal to $0.2625, or 7.0% of the public offering price. The net proceeds to the Company from the Underwritten Offering, after deducting the underwriting discount and estimated offering expenses payable by the Company, were approximately $9.1 million.

- On September 8, 2020, the Company entered into a purchase agreement (the "LPC Purchase Agreement") and a Registration Rights Agreement (the "Registration Rights Agreement") with Lincoln Park Capital Fund, LLC ("Lincoln Park"), pursuant to which, upon the terms and subject to the conditions and limitations set forth therein, the Company has the right to sell to Lincoln Park up to $26.0 million of shares of the Company's Common Stock at the Company's discretion as described below (the "LPC Offering"). During 2020, the Company sold and issued an aggregate of 3.3 million shares, including the LPC Commitment Shares, under the LPC Purchase Agreement, receiving approximately $2.2 million in gross proceeds. The Company sent a letter to Lincoln Park terminating the LPC Offering effective January 21, 2021. The Company did not sell any shares under the LPC Purchase Agreement in 2021.

- On January 22, 2021, the Company entered into a Securities Purchase Agreement (the "January 2021 Purchase Agreement") with several institutional investors, pursuant to which the Company agreed to issue and sell, in a registered direct offering (the "January 2021 Offering"), an aggregate of 25,925,925 shares of the Company's common stock at an offering price of $1.35 per share for gross proceeds of approximately $35 million before the deduction of the January 2021 Placement Agents (as defined below) fee and offering expenses. The closing of the January 2021 Offering occurred on January 26, 2021. In connection with the January 2021 Offering, the Company entered into a placement agent agreement (the "January 2021 Placement Agent Agreement") with A.G.P./Alliance Global Partners (together with Brookline Capital Markets, the "January 2021 Placement Agents") pursuant to which the Company agreed to pay the January 2021 Placement Agents a cash fee equal to 7% of the aggregate gross proceeds raised from the sale of the securities sold in the January 2021 Offering and reimburse the January 2021 Placement Agents for certain of their expenses in an amount not to exceed $82,500.

- On March 31, 2021, the Company entered into a Securities Purchase Agreement (the "March 2021 Purchase Agreement") with several institutional investors, pursuant to which the Company agreed to issue and sell, in a registered direct offering (the "March 2021 Offering"), an aggregate of 11,538,462 shares of the Company's common stock, at an offering price of $1.30 per share for gross proceeds of approximately $15 million before the deduction of the placement agents fee and offering expenses. The shares were offered by the Company pursuant to the 2021 Registration Statement. The March 2021 Purchase Agreement contained customary representations, warranties and agreements by the Company and customary conditions to closing. The closing of the Offering occurred on April 5, 2021. In connection with the March 2021 Offering, the Company entered into a placement agent agreement (the "March 2021 Placement Agent Agreement") with A.G.P./Alliance Global Partners, as lead placement agent ("AGP," and together with JonesTrading Institutional Services LLC and Brookline Capital Markets, a division of Arcadia Securities, LLC, serving as co-placement agents, the "March 2021 Placement Agents") pursuant to which the Company agreed to pay the March 2021 Placement Agents an aggregate cash fee equal to 7% of the aggregate gross proceeds raised from the sale of the securities sold in the Offering and reimburse the Placement Agents for certain of their expenses in an amount not to exceed $82,500.

**Significant Accounting Policies**

Our significant accounting policies are more fully described in Note 1 to our consolidated financial statements included in our 2020 Annual Report on Form 10-K for the year ended December 31, 2020 filed with the SEC on March 19, 2021. See Note 5 to the Condensed Consolidated Financial Statements contained in this Quarterly Report on Form 10-Q.

As a clinical stage biopharmaceutical company, our business, and our ability to execute our strategy to achieve our corporate goals are subject to numerous risks and uncertainties. Material risks and uncertainties relating to our business and our industry are described in "Item 1A. Risk Factors" under "Part II: Other Information" included herein.

**FINANCIAL REVIEW FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020**

**Results of Operations**

For the three months ended September 30, 2021 our net loss was $5.4 million compared to a net loss of $8.1 million for the same three-month period of 2020. For the nine months ended September 30, 2021 our net loss was $16.5 million compared to a net loss of $18.5 million for the same nine-month period of 2020.

With $60.6 million in cash and cash equivalents, short-term investments, interest receivable and restricted cash, at September 30, 2021, coupled with approximately $15 million of potential future sales of the Company's State of New Jersey net operating losses, the Company believes it has sufficient capital resources to fund its operations through the end of 2024.

| | Three Months Ended September 30, | | | |
|---|---|---|---|---|
| | (In thousands) | | Change Increase (Decrease) | |
| | 2021 | 2020 | | % |
| **Licensing Revenue:** | $ 125 | $ 125 | $ - | -% |
| **Operating Expenses:** | | | | |
| Clinical Research | 1,036 | 1,217 | (181) | (14.9)% |
| Chemistry, Manufacturing and Controls (CMC) | 1,432 | 1,275 | 157 | 12.3% |
| Research and development expenses | 2,468 | 2,492 | (24) | (0.1)% |
| General and administrative expenses | 2,719 | 1,793 | 926 | 51.6% |
| Total operating expenses | 5,187 | 4,285 | 902 | 21.5% |
| **Loss from operations** | $ (5,062) | $ (4,160) | $ (902) | (21.7)% |

| | Nine Months Ended September 30, | | | |
|---|---|---|---|---|
| | (In thousands) | | Change Increase (Decrease) | |
| | 2021 | 2020 | | % |
| **Licensing Revenue:** | $ 375 | $ 375 | $ - | -% |
| **Operating Expenses:** | | | | |
| Clinical Research | 3,400 | 4,517 | (1,117) | (24.7)% |
| Chemistry, Manufacturing and Controls (CMC) | 4,233 | 4,018 | 215 | 5.4% |
| Research and development expenses | 7,633 | 8,535 | (902) | (10.6)% |
| General and administrative expenses | 8,258 | 5,533 | 2,725 | 49.2% |
| Total operating expenses | 15,891 | 14,068 | 1,823 | 13.0% |
| **Loss from operations** | $ (15,516) | $ (13,693) | $ (1,823) | (13.3)% |

***Comparison of the Three Months Ended September 30, 2021 and 2020***

*Licensing Revenue*

In January 2013, we entered into a technology development contract with Hisun, pursuant to which Hisun paid us a non-refundable technology transfer fee of $5.0 million to support our development of ThermoDox® in the China territory. The $5.0 million received as a non-refundable payment from Hisun in the first quarter 2013 has been recorded to deferred revenue and will be amortized over the ten-year term of the agreement; therefore, we recorded deferred revenue of $125,000 in each of the third quarters of 2021 and 2020.

*Research and Development Expenses*

Research and development ("R&D") expenses were $2.5 million in each of the third quarters of 2021 and 2020. Costs associated the OVATION 2 Study were $0.2 million in each of the third quarters of 2021 and 2020. Costs associated with the OPTIMA Study decreased to $0.2 million in the third quarter of 2021 compared to $0.5 million in the same period of 2020. In July 2020, the Company unblinded the OPTIMA Study at the recommendation of the DMC to halt the study due to futility. Other clinical and regulatory costs were $0.7 million the third quarter of 2021 compared to $0.5 million in the same period of 2020. R&D costs associated with the development of GEN-1 to support the OVATION 2 Study as well as development of the PLACCINE DNA vaccine technology platform increased to $1.1 million in the third quarter of 2021 compared to $0.7 million in the same period of 2020. CMC costs decreased to $0.3 million in the third quarter of 2021 compared to $0.6 million in the same period of 2020.

*General and Administrative Expenses*

General and administrative expenses increased to $2.7 million in the third quarter of 2021 compared to $1.8 million in the same period of 2020. This increase is primarily attributable to higher non-cash stock compensation expense of approximately $0.2 million, an increase in professional fees of $0.6 million and an increase in premiums for directors' and officers' insurance of $0.1 million in the third quarter of 2021 when compared to the same period of 2020.

*Impairment of IPR&D Liability*

IPR&D is reviewed for impairment at least annually as of our third quarter ended September 30 by assessing if any events or changes in circumstances have occurred which indicate that the carrying value of the assets might not be recoverable. At September 30, 2020, after our assessment of the totality of the events that could impair IPR&D, the Company determined certain IPR&D assets related to the development of its GBM product candidate may be impaired. To arrive at this determination, the Company assessed the status of studies in GBM conducted by its competitors and the Company's strategic commitment of resources to its studies in primary liver cancer and ovarian cancer. The Company concluded that the GBM asset, valued at $2.4 million, was fully impaired and wrote off the GBM asset, incurring a non-cash charge of $2.4 million in the third quarter of 2020. During 2021, the Company concluded no IPR&D asset was impaired during that period.

*Change in Earn-out Milestone Liability and Warrant Expense*

On March 28, 2019, the Company and EGWU, Inc. entered into an amendment to its purchase agreement ("Amended Asset Purchase Agreement"), whereby payment of the earnout milestone liability related to the Ovarian Cancer Indication of $12.4 million had been modified. The Company has the option to make the payment as follows:

a) $7.0 million in cash within 10 business days of achieving the milestone; or
b) $12.4 million in cash, common stock of the Company, or a combination of either, within one year of achieving the milestone.

As of September 30, 2021, and June 30, 2021, the Company calculated the fair value of the earn-out milestone liability at $7.3 million and $7.1 million, respectively, and recognized a non-cash benefit of $0.2 million for the three-months ended September 30, 2021. In assessing the earnout milestone liability at September 30, 2021, the Company determined the fair value of each of the two payment options per the Amended Asset Purchase Agreement and weighted them at 50% and 50% probability for the $7.0 million and the $12.4 million payments, respectively.

As of September 30, 2020, and June 30, 2020, the Company calculated the fair value of the earn-out milestone liability at $7.1 million and $6.0 million, respectively and recognized a non-cash charge of $1.1 million during the third quarter of 2020. In assessing the earnout milestone liability at September 30, 2020, the Company determined the fair value of each of the two payment options per the Amended Asset Purchase Agreement and weighted them at 50% and 50% probability for the $7.0 million and the $12.4 million payments, respectively.

*Investment income and interest expense*

Investment income from its short-term investments was insignificant in each of the third quarters of 2021 and 2020.

As more fully discussed in Note 11, in June 2021, the Company entered into a $10 million loan facility with Silicon Valley Bank. The Company immediately used $6 million from this facility to retire all outstanding indebtedness with Horizon Technology Finance Corporation. The remaining $4 million will be available to be drawn down up to 12 months after closing and will be used for working capital and to fund the advancement of the Company's product pipelines. In connection with these loan facilities, the Company incurred $0.1 million in interest expense in the third quarter of 2021 compared to $0.5 million during the same period of 2020.

***Comparison of the Nine Months Ended September 30, 2021 and 2020***

*Licensing Revenue*

In January 2013, we entered a technology development contract with Hisun, pursuant to which Hisun paid us a non-refundable technology transfer fee of $5.0 million to support our development of ThermoDox® in the China territory. The $5.0 million received as a non-refundable payment from Hisun in the first quarter 2013 has been recorded to deferred revenue and will be amortized over the ten-year term of the agreement; therefore, we recorded deferred revenue of $375,000 in each of the first nine months of 2021 and 2020.

*Research and Development Expenses*

R&D expenses decreased by $0.9 million to $7.6 million in the first nine months of 2021 from $8.5 million in the same period of 2020. Costs associated the OVATION 2 Study increased to $1.0 million in the first nine months of 2021 compared to $0.7 million in the same period of 2020. The Company initiated enrollment in the Phase 2 portion of the study during the third quarter of 2020. Costs associated with the OPTIMA Study decreased to $0.6 million in the first nine months of 2021 compared to $1.8 million in the same period of 2020. In July 2020, the Company unblinded the OPTIMA Study at the recommendation of the DMC to halt the study due to futility. Regulatory and other clinical costs were $1.8 million the first nine months of 2021 compared to $2.0 million in the same period of 2020. R&D costs associated with the development of GEN-1 to support the OVATION 2 Study as well as development of the PLACCINE DNA vaccine technology platform increased to $3.1 million in the first nine months of 2021 compared to $2.3 million in the same period of 2020. CMC costs decreased to $1.1 million in the first nine months of 2021 compared to $1.7 million in the same period of 2020.

*General and Administrative Expenses*

General and administrative expenses increased to $8.3 million in the first nine months of 2021 compared to $5.5 million in the same period of 2020. This increase is primarily attributable to higher non-cash stock compensation expense of approximately $1.0 million, an increase in professional fees of $1.4 million and an increase in premiums for directors' and officers' insurance of $0.2 million in the first nine months of 2021 when compared to the same period of 2020.

*Impairment of IPR&D Liability*

IPR&D is reviewed for impairment at least annually as of our third quarter ended September 30 by assessing if any events or changes in circumstances have occurred which indicate that the carrying value of the assets might not be recoverable. At September 30, 2020, after our assessment of the totality of the events that could impair IPR&D, the Company determined certain IPR&D assets related to the development of its GBM product candidate may be impaired. To arrive at this determination, the Company assessed the status of studies in GBM conducted by its competitors and the Company's strategic commitment of resources to its studies in primary liver cancer and ovarian cancer. The Company concluded that the GBM asset, valued at $2.4 million, was fully impaired and wrote off the GBM asset, incurring a non-cash charge of $2.4 million in the third quarter of 2020. During 2021, the Company concluded no IPR&D asset was impaired during that period.

*Change in Earn-out Milestone Liability and Warrant Expense*

On March 28, 2019, the Company and EGWU, Inc. entered into an amendment to its purchase agreement ("Amended Asset Purchase Agreement"), whereby payment of the earnout milestone liability related to the Ovarian Cancer Indication of $12.4 million had been modified. The Company has the option to make the payment as follows:

a) $7.0 million in cash within 10 business days of achieving the milestone; or
b) $12.4 million in cash, common stock of the Company, or a combination of either, within one year of achieving the milestone.

As of September 30, 2021, and December 31, 2020, the Company calculated the fair value of the earn-out milestone liability at $7.3 million and $7.0 million, respectively and recognized a non-cash charge of $0.3 million during the first nine months of 2021. In assessing the earnout milestone liability at September 30, 2021, the Company determined the fair value of each of the two payment options per the Amended Asset Purchase Agreement and weighted them at 50% and 50% probability for the $7.0 million and the $12.4 million payments, respectively.

As of September 30, 2020, and December 31, 2019, the Company calculated the fair value of the earn-out milestone liability at $7.1 million and $5.7 million, respectively and recognized a non-cash charge of $1.4 million during the first nine-months of 2020. In assessing the earnout milestone liability at September 30, 2020, the Company determined the fair value of each of the two payment options per the Amended Asset Purchase Agreement and weighted them at 50% and 50% probability for the $7.0 million and the $12.4 million payments, respectively.

*Investment income and interest expense*

Investment income from its short-term investments was insignificant in the first nine months of 2021. The Company realized $0.1 million of investment income from its short-term investments during the first nine months of 2020.

As more fully discussed in Note 11, in June 2021, the Company entered into a $10 million loan facility with Silicon Valley Bank. The Company immediately used $6 million from this facility to retire all outstanding indebtedness with Horizon Technology Finance Corporation. The remaining $4 million will be available to be drawn down up to 12 months after closing and will be used for working capital and to fund the advancement of the Company's product pipelines. In connection with these loan facilities, the Company incurred $0.5 million in interest expense in the first nine months of 2021 compared to $1.1 million during the same period of 2020. In connection with the termination of the Horizon Technology Financing Facility in the second quarter of 2021, the Company paid early termination and end of term charges to Horizon and recognized $0.2 million as a loss on debt extinguishment.

**Financial Condition, Liquidity and Capital Resources**

Since inception we have incurred significant losses and negative cash flows from operations. We have financed our operations primarily through the net proceeds from the sales of equity, credit facilities and amounts received under our product licensing agreement with Yakult and our technology development agreement with Hisun. The process of developing and commercializing ThermoDox®, GEN-1 and other product candidates and technologies requires significant research and development work and clinical trial studies, as well as significant manufacturing and process development efforts. We expect these activities, together with our general and administrative expenses, to result in significant operating losses for the foreseeable future. Our expenses have significantly and regularly exceeded our revenue, and we had an accumulated deficit of $329 million at September 30, 2021.

At September 30, 2021, we had total current assets of $56.8 million and current liabilities of $6.5 million, resulting in net working capital of $50.3 million. At September 30, 2021, we had cash and cash equivalents, short-term investments, interest receivable on short term investments and money market investments ($6.0 million of which is included in other assets) of $60.6 million. At December 31, 2020, we had total current assets of $18.8 million (including cash and cash equivalents of $17.2 million) and current liabilities of $6.8 million, resulting in net working capital of $12.0 million. We have substantial future capital requirements to continue our research and development activities and advance our product candidates through various development stages. The Company believes these expenditures are essential for the commercialization of its technologies.

Net cash used in operating activities for the first nine months of 2021 was $11.1 million. Net cash used in investing activities was $29.1 million during the first nine months of 2021. Net cash provided by financing activities was $54.8 million during the first nine months of 2021 mostly from net proceeds received through the sale of our common stock. With $60.6 million in cash and cash equivalents, short-term investments, interest receivable on short term investments and money market investments at September 30, 2021 and with potential future sales of the Company's State of New Jersey net operating losses, the Company believes it has sufficient capital resources to fund its operations through the end of 2024.

We expect to seek additional capital through further public or private equity offerings, debt financing, additional strategic alliance and licensing arrangements, collaborative arrangements, potential sales of our net operating losses, or some combination of these financing alternatives. If we raise additional funds through the issuance of equity securities, the percentage ownership of our stockholders could be significantly diluted, and the newly issued equity securities may have rights, preferences, or privileges senior to those of the holders of our common stock. If we raise funds through the issuance of debt securities, those securities may have rights, preferences, and privileges senior to those of our common stock. If we seek strategic alliances, licenses, or other alternative arrangements, such as arrangements with collaborative partners or others, we may need to relinquish rights to certain of our existing or future technologies, product candidates, or products we would otherwise seek to develop or commercialize on our own, or to license the rights to our technologies, product candidates, or products on terms that are not favorable to us. The overall status of the economic climate could also result in the terms of any equity offering, debt financing, or alliance, license, or other arrangement being even less favorable to us and our stockholders than if the overall economic climate were stronger. We also will continue to look for government sponsored research collaborations and grants to help offset future anticipated losses from operations and, to a lesser extent, interest income.

If adequate funds are not available through either the capital markets, strategic alliances, collaborators, or sales of our net operating losses, we may be required to delay or, reduce the scope of, or terminate our research, development, clinical programs, manufacturing, or commercialization efforts, or effect additional changes to our facilities or personnel, or obtain funds through other arrangements that may require us to relinquish some of our assets or rights to certain of our existing or future technologies, product candidates, or products on terms not favorable to us.

**Off-Balance Sheet Arrangements and Contractual Obligations**

None.

**Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK**

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

**Item 4. CONTROLS AND PROCEDURES**

We have carried out an evaluation, under the supervision and with the participation of management, including our principal executive officer and principal financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures, as that term is defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended. Based on that evaluation, our principal executive officer and principal financial officer have concluded that, as of September 30, 2021, which is the end of the period covered by this report, our disclosure controls and procedures are effective at the reasonable assurance level in alerting them in a timely manner to material information required to be included in our periodic reports with the SEC.

There were no changes in our internal control over financial reporting identified in connection with the evaluation that occurred during the period covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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

## PART II: OTHER INFORMATION

### Item 1. Legal Proceedings

On September 20, 2019, a purported stockholder of the Company filed a derivative and putative class action lawsuit against the Company and certain officers and directors (the "Shareholder Action"). The Company was a defendant in this derivative and putative class action lawsuit in the Superior Court of New Jersey, Chancery Division, filed by a shareholder against the Company (as both a class action defendant and nominal defendant), and certain of its officers and directors (the "Individual Defendants"), with the caption *O'Connor v. Braun et al., Docket No. MER-C-000068-19* (the "Shareholder Action"). The Shareholder Action alleged breaches of the defendants' fiduciary duties based on allegations that the defendants omitted or made improper statements when seeking shareholder approval of the 2018 Stock Incentive Plan. The Shareholder Action sought, among other things, any damages sustained by the Company as a result of the defendants' alleged wrongdoing, a declaratory judgment against all defendants invalidating the 2018 Stock Incentive Plan and declaring any awards made under the Plan invalid, rescinded, and subject to disgorgement, an order disgorging the equity awards granted to the Individual Defendants under the 2018 Stock Incentive Plan, and attorneys' fees and costs.

On April 24, 2020, the Company, the Individual Defendants, and the plaintiff (the "Parties") entered into a Settlement Agreement and Release (the "Settlement Agreement"), which memorializes the terms of the Parties' settlement of the Shareholder Action (the "Settlement"). The Settlement calls for repricing of certain stock options and payment of plaintiff legal fees of $187,500. On July 24, 2020, the Court issued an order approving the Parties' proposed form of notice to shareholders regarding the Settlement. A hearing was held on September 8, 2020 whereby the Court issued a final approval approving the Settlement. Pursuant to the Settlement, the Company paid $187,500 on October 1, 2020. Without admitting the validity of any of the claims asserted in the Shareholder Action, or any liability with respect thereto, and expressly denying all allegations of wrongdoing, fault, liability, or damage against the Company and the Individual Defendants arising out of any of the conduct, statements, acts or omissions alleged, or that could have been alleged, in the Shareholder Action, the Company and the Individual Defendants concluded that it was desirable that the claims be settled on the terms and subject to the conditions set forth in the Settlement Agreement. The Company and the Individual Defendants entered into the Settlement Agreement for settlement purposes only and solely to avoid the cost and disruption of further litigation.

On October 29, 2020, a putative securities class action was filed against the Company and certain of its officers and directors (the "Spar Individual Defendants") in the U.S. District Court for the District of New Jersey, captioned *Spar v. Celsion Corporation, et al.*, Case No. 1:20-cv-15228. The plaintiff alleges that the Company and Individual Defendants made false and misleading statements regarding one of the Company's product candidates, ThermoDox®, and brings claims for damages under Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder against all Defendants, and under Section 20(a) of the Exchange Act of 1934 against the Spar Individual Defendants. The Company believes that the case is without merit and intends to defend it vigorously. Due to the early stage of the case neither the likelihood that a loss, if any, will be realized, nor an estimate of possible loss or range of loss, if any, can be determined.

In February 2021, a derivative shareholder lawsuit was filed against the Company, as the nominal defendant, and certain of its directors and officers as defendants in the U.S. District Court for the District of New Jersey, captioned *Fidler v. Michael H. Tardugno et al.*, Case No. 3:21-cv-02662. The plaintiff alleges breach of fiduciary duty and other claims arising out of alleged statements made by certain of the Company's directors and/or officers regarding ThermoDox®. The Company believes it has meritorious defenses to these claims and intends to vigorously contest this suit. Due to the early stage of the case neither the likelihood that a loss, if any, will be realized, nor an estimate of possible loss or range of loss, if any, can be determined.

In August of 2021, a complaint regarding a corporate books and records demand was filed against the Company in the Court of Chancery of the State of Delaware, captioned *Pacheco v. Celsion Corporation*, Case No. 2021-0705. The plaintiff alleges he is entitled to inspect the Company's books and records concerning the OPTIMA Study and other materials. The Company believes that the scope of the demand is without merit and intends to defend it vigorously. Due to the early stage of the case neither the likelihood that a loss, if any, will be realized, nor an estimate of possible loss or range of loss, if any, can be determined.

### Item 1A. Risk Factors

There have been no material changes to our risk factors from those disclosed under "Risk Factors" in Part I, Item 1A of our 2020 Annual Report on Form 10-K. The risks and uncertainties described in our 2020 Annual Report on Form 10-K are not the only ones we face. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also materially adversely affect our business, financial condition or results of operations.

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

None

**Item 3. Defaults Upon Senior Securities.**

None.

**Item 4. Mine Safety Disclosures.**

Not applicable.

**Item 5. Other Information.**

None.

**Item 6. Exhibits.**

| | |
|---|---|
| 10.1 | Third Amendment to the Celsion Corporation 2018 Stock Incentive Plan, incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K of the Company, filed on June 21, 201 (SEC File No. 001-15911). |
| 10.2+ | Loan and Security Agreement between Silicon Valley Bank and Celsion Corporation dated June 18, 2021. |
| 31.1+ | Certification of Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 31.2+ | Certification of Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 32.1* | Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| + | Filed herewith. |
| 101** | The following materials from the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2020 formatted in XBRL (Extensible Business Reporting Language): (i) the unaudited Consolidated Balance Sheets, (ii) the unaudited Consolidated Statements of Operations, (iii) the unaudited Consolidated Statements of Comprehensive Loss, (iv) the unaudited Consolidated Statements of Cash Flows, (v) the unaudited Consolidated Statements of Change in Stockholders' Equity (Deficit), and (vi) Notes to Consolidated Financial Statements. |
| * | Exhibit 32.1 is being furnished and shall not be deemed to be "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liability of that section, nor shall such exhibit be deemed to be incorporated by reference in any registration statement or other document filed under the Securities Act of 1933, as amended, or the Securities Exchange Act, except as otherwise stated in such filing. |
| ** | XBRL information is filed herewith. |

**SIGNATURES**

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

November 15, 2021

CELSION CORPORATION

Registrant

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

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

**EXHIBIT 10.2**

# LOAN AND SECURITY AGREEMENT

**THIS LOAN AND SECURITY AGREEMENT** (this "**Agreement**") is dated as of the Effective Date between **SILICON VALLEY BANK**, a California corporation ("**Bank**"), and the borrower listed on Schedule I hereto ("**Borrower**"). The parties agree as follows:

## 1 LOAN AND TERMS OF PAYMENT

### 1.1 Term Loan.

(a) Availability. Subject to the terms and conditions of this Agreement, upon Borrower's request, during the Draw Period, Bank shall make term loan advances not exceeding the Term Loan Availability Amount (each such advance is referred to herein as a "**Term Loan Advance**" and, collectively, as the "**Term Loan Advances**"). Borrower may request Term Loan Advances as set forth on Schedule I hereto.

(b) Repayment. Borrower shall repay each Term Loan Advance as set forth in Schedule I hereto. All outstanding principal and accrued and unpaid interest under each Term Loan Advance, and all other outstanding Obligations with respect to such Term Loan Advance, are due and payable in full on the Term Loan Maturity Date.

(c) Permitted Prepayment. Borrower shall have the option to prepay all or any portion of the Term Loan Advances, provided Borrower (i) delivers written notice to Bank of its election to prepay all or a portion of the Term Loan Advances, which such prepayment portion shall be an aggregate principal amount of at least $5,000,000.00, at least 10 days prior to such prepayment along with a notice of the portion of the principal amount being prepaid, and (ii) pays, on the date of such prepayment (A) the outstanding principal plus accrued and unpaid interest with respect to the portion of the Term Loan Advances, (B) the Prepayment Fee with respect to the portion of the Term Loan Advances being prepaid, (C) the Final Payment with respect to the portion of the Term Loan Advances being prepaid, and (D) all other sums, if any, that shall have become due and payable with respect to the portion of the Term Loan Advances being prepaid, including interest at the Default Rate with respect to any past due amounts.

(d) Mandatory Prepayment upon an Acceleration. If the Term Loan Advances are accelerated by Bank following the occurrence and during the continuance of an Event of Default, Borrower shall immediately pay to Bank an amount equal to the sum of (i) all outstanding principal plus accrued and unpaid interest with respect to the Term Loan Advances, (ii) the Prepayment Fee, (iii) the Final Payment, and (iv) all other sums, if any, that shall have become due and payable with respect to the Term Loan Advances, including interest at the Default Rate with respect to any past due amounts.

### 1.2 Payment of Interest on the Credit Extensions.

(a) Interest Payments. Interest on the principal amount of each Term Loan Advance is payable as set forth on Schedule I hereto.

(b) Interest Rate.

(i) Subject to Section 1.2(c), the outstanding principal amount of any Term Loan Advance shall accrue interest as set forth on Schedule I hereto.

(ii) All-In Rate. Notwithstanding any terms in this Agreement to the contrary, if at any time the interest rate applicable to any Obligations is less than 0.0%, such interest rate shall be deemed to be 0.0% for all purposes of this Agreement.

(c) Default Rate. Immediately upon the occurrence and during the continuance of an Event of Default, the outstanding Obligations shall bear interest at a rate per annum which is 3.0% above the rate that is otherwise applicable thereto (the "**Default Rate**") unless Bank otherwise elects, in its sole discretion, to impose a lesser increase or no increase. Fees and expenses which are required to be paid by Borrower pursuant to the Loan Documents (including, without limitation, Bank Expenses) but are not paid when due shall bear interest until paid at a rate equal to the highest rate applicable to the Obligations. Payment or acceptance of the increased interest rate provided in this Section 1.2(c) is not a permitted alternative to timely payment and shall not constitute a waiver of any Event of Default or otherwise prejudice or limit any rights or remedies of Bank.

(d) Adjustment to Interest Rate. Each change in the interest rate applicable to any amounts payable under the Loan Documents based on changes to the Prime Rate shall be effective on the effective date of any change to the Prime Rate and to the extent of such change.

(e) Interest Computation. Interest shall be computed as set forth on Schedule I hereto. In computing interest, the date of the making of any Credit Extension shall be included and the date of payment shall be excluded; provided, however, that if any Credit Extension is repaid on the same day on which it is made, such day shall be included in computing interest on such Credit Extension.

**1.3 Fees.** Borrower shall pay to Bank:

(a) Prepayment Fee. The Prepayment Fee, when due hereunder, which shall be fully earned and non-refundable as of such date;

(b) Final Payment. The Final Payment, when due hereunder, which shall be fully earned and non-refundable as of such date; and

(c) Bank Expenses. All Bank Expenses incurred through and after the Effective Date, when due (or, if no stated due date, upon demand by Bank).

Unless otherwise provided in this Agreement or in a separate writing by Bank, Borrower shall not be entitled to any credit, rebate, or repayment of any fees earned by Bank pursuant to this Agreement, notwithstanding any termination of this Agreement or the suspension or termination of Bank's obligation to make loans and advances hereunder. Bank may deduct amounts owing by Borrower under the clauses of this Section 1.3 pursuant to the terms of Section 1.4(c). Bank shall provide Borrower written notice of deductions made pursuant to the terms of the clauses of this Section 1.3.

**1.4 Payments; Application of Payments; Debit of Accounts.**

(a) All payments (including prepayments) to be made by Borrower under any Loan Document shall be made in immediately available funds in Dollars, without setoff, counterclaim, or deduction, before 12:00 p.m. Eastern time on the date when due. Payments of principal and/or interest received after 12:00 p.m. Eastern time are considered received at the opening of business on the next Business Day. When a payment is due on a day that is not a Business Day, the payment shall be due the next Business Day, and additional fees or interest, as applicable, shall continue to accrue until paid.

(b) Bank has the right to determine in its commercially reasonable discretion the order and manner in which all payments with respect to the Obligations may be applied. Borrower shall have no right to specify the order or the accounts to which Bank shall allocate or apply any payments required to be made by Borrower to Bank or otherwise received by Bank under this Agreement when any such allocation or application is not specified elsewhere in this Agreement.

(c) Bank may debit any of Borrower's deposit accounts maintained with Bank, including the Designated Deposit Account, for principal and interest payments or any other amounts Borrower owes Bank when due under the Loan Documents. These debits shall not constitute a set-off.

**1.5 Change in Circumstances.**

(a) Increased Costs. If any Change in Law shall: (i) impose, modify, or deem applicable any reserve, special deposit, compulsory loan, insurance charge, or similar requirement against assets of, deposits with or for the account of, or advances, loans, or other credit extended or participated in by, Bank, (ii) subject Bank to any Taxes (other than (A) Indemnified Taxes, (B) Taxes described in clauses (b) through (d) of the definition of Excluded Taxes, and (C) Connection Income Taxes) on its loans, loan principal, letters of credit, commitment, or other obligations, or its deposits, reserves, other liabilities, or capital attributable thereto, or (iii) impose on Bank any other condition, cost, or expense (other than Taxes) affecting this Agreement or Credit Extensions made by Bank, and the result of any of the foregoing shall be to increase the cost to Bank of making, converting to, continuing, or maintaining any Credit Extension (or of maintaining its obligation to make any such Credit Extension), or to reduce the amount of any sum received or receivable by Bank hereunder (whether of principal, interest, or any other amount) then, upon written request of Bank, Borrower shall promptly pay to Bank such additional amount or amounts as will compensate Bank for such additional costs incurred or reduction suffered.

(b) Capital Requirements. If Bank determines that any Change in Law affecting Bank regarding capital or liquidity requirements, has or would have the effect of reducing the rate of return on Bank's capital as a consequence of this Agreement, any term loan facility, or the Credit Extensions made by Bank to a level below that which Bank could have achieved but for such Change in Law (taking into consideration Bank's policies with respect to capital adequacy and liquidity), then from time to time upon written request of Bank, Borrower shall promptly pay to Bank such additional amount or amounts as will compensate Bank for any such reduction suffered.

(c) Delay in Requests. Failure or delay on the part of Bank to demand compensation pursuant to this Section 1.5 shall not constitute a waiver of Bank's right to demand such compensation; provided that Borrower shall not be required to compensate Bank pursuant to subsection (a) for any increased costs incurred or reductions suffered more than 9 months prior to the date that Bank notifies Borrower of the Change in Law giving rise to such increased costs or reductions (except that if the Change in Law giving rise to such increased costs or reductions is retroactive, then the 9-month period shall be extended to include the period of retroactive effect).

**1.6 Taxes.**

(a) Payments Free of Taxes. Any and all payments by or on account of any obligation of Borrower under any Loan Document shall be made without deduction or withholding for any Taxes, except as required by Applicable Law. If any Applicable Law (as determined in the good-faith discretion of Borrower) requires the deduction or withholding of any Tax from any such payment by Borrower, then (i) Borrower shall be entitled to make such deduction or withholding, (ii) Borrower shall timely pay the full amount deducted or withheld to the relevant Governmental Authority in accordance with Applicable Law, and (iii) if such Tax is an Indemnified Tax, the sum payable by Borrower shall be increased as necessary so that, after such deduction or withholding has been made (including such deductions and withholdings applicable to additional sums payable under this Section 1.6), Bank receives an amount equal to the sum it would have received had no such deduction or withholding been made.

(b) Payment of Other Taxes by Borrower. Without limiting the provisions of subsection (a) above, Borrower shall timely pay any Other Taxes to the relevant Governmental Authority in accordance with Applicable Law.

(c) Tax Indemnification. Without limiting the provisions of subsections (a) and (b) above, Borrower shall, and does hereby, indemnify Bank, within 30 days after demand therefor, for the full amount of any Indemnified Taxes (including Indemnified Taxes imposed or asserted on or attributable to amounts payable under this Section 1.6) payable or paid by Bank or required to be withheld or deducted from a payment to Bank and any reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to Borrower by Bank shall be conclusive absent manifest error.

(d) Evidence of Payments. As soon as practicable after any payment of Taxes by Borrower to a Governmental Authority pursuant to this Section 1.6, Borrower shall deliver to Bank a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of the return reporting such payment, or other evidence of such payment reasonably satisfactory to Bank.

(e) Status of Bank. If Bank (including any assignee or successor) is entitled to an exemption from or reduction of withholding tax with respect to payments made under any Loan Document, Bank shall deliver to Borrower, at the time or times reasonably requested by Borrower, such properly completed and executed documentation reasonably requested by Borrower as will permit such payments to be made without withholding or at a reduced rate of withholding. In addition, Bank, if reasonably requested by Borrower, shall deliver such other documentation prescribed by Applicable Law or reasonably requested by Borrower as will enable Borrower to determine whether or not Bank is subject to backup withholding or information reporting requirements. Without limiting the generality of the foregoing, Bank shall deliver whichever of IRS Form W-9, IRS Form W-8BEN-E, IRS Form W-8ECI or W-8IMY is applicable, as well as any applicable supporting documentation or certifications.

**1.7 Procedures for Borrowing.**

(a) Term Loan Advances. Subject to the prior satisfaction of all other applicable conditions to the making of a Term Loan Advance set forth in this Agreement (which must be satisfied no later than 12:00 p.m. Eastern time on the applicable Funding Date), to obtain a Term Loan Advance, Borrower (via an individual duly authorized by an Administrator) shall notify Bank (which notice shall be irrevocable) by 12:00 p.m. Eastern time at least 2 Business Days prior to the Funding Date of the Term Loan Advance. Such notice shall be made by electronic mail or by telephone and, together with any such notification, Borrower shall deliver to Bank by electronic mail a completed Payment/Advance Form executed by an Authorized Signer and such other reports and information as Bank may reasonably request. Bank may rely on any telephone notice given by a person whom Bank believes is an Authorized Signer. Borrower will indemnify Bank for any loss Bank suffers due to such belief or reliance. Bank shall have received satisfactory evidence that the Board has approved that such Authorized Signer may provide such notices and request such Term Loan Advance (which requirement may be deemed satisfied by the prior delivery of Borrowing Resolutions or a secretary's certificate that certifies as to such Board approval).

(b) Bank shall credit proceeds of a Credit Extension to the Designated Deposit Account. Bank may make Advances and Term Loan Advances under this Agreement based on instructions from an Authorized Signer or without instructions if such Advances or Term Loan Advances are necessary to meet Obligations which have become due.

**2 CONDITIONS OF CREDIT EXTENSIONS**

**2.1 Conditions Precedent to Initial Credit Extension.** Bank's obligation to make the initial Credit Extension is subject to the condition precedent that Bank shall have received, in form and substance satisfactory to Bank, such documents, and completion of such other matters, as Bank may reasonably deem necessary or appropriate, including, without limitation:

(a) duly executed Loan Documents;

(b) the Operating Documents of Borrower and long-form good standing certificates of Borrower certified by the Secretary of State of the State of Delaware and the Secretary of State of the State of New Jersey, in which Borrower is qualified to conduct business, in each case as of a date no earlier than 30 days prior to the Effective Date;

(c) certificate duly executed by a Responsible Officer or secretary of Borrower with respect to Borrower's (i) Operating Documents and (ii) Borrowing Resolutions;

(d) duly executed payoff letter from Horizon Finance;

(e) certified copies, dated as of a recent date, of searches for financing statements filed in the central filing office of the State of Delaware, accompanied by written evidence (including any UCC termination statements) that the Liens indicated in any such financing statements either constitute Permitted Liens or have been or, in connection with the initial Credit Extension, will be terminated or released;

(f) the Cash Collateral Account shall have been opened and the Minimum Threshold Amount shall have been deposited therein;

(g) evidence that (i) the Liens securing Indebtedness owed by Borrower to Horizon Finance will be terminated and (ii) the documents and/or filings evidencing the perfection of such Liens, including without limitation any financing statements and/or control agreements, have or will, concurrently with the initial Credit Extension, be terminated;

(h) duly executed Perfection Certificate of Borrower;

(i) duly executed Cash Pledge Agreement, in form and substance acceptable to Bank;

(j) evidence satisfactory to Bank that the insurance policies required by Section 5.6 hereof are in full force and effect; and

(k) payment of the fees and Bank Expenses then due as specified in Section 1.3 hereof.

**2.2 Conditions Precedent to All Credit Extensions.** Bank's obligation to make each Credit Extension, including the initial Credit Extension, is subject to the following conditions precedent:

(a) receipt of Borrower's Credit Extension request and the related materials and documents as required by and in accordance with Section 1.7;

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

(c) a Material Adverse Change shall not have occurred and be continuing.

**2.3 Covenant to Deliver.** Borrower shall deliver to Bank each item required to be delivered to Bank under this Agreement as a condition precedent to any Credit Extension. A Credit Extension made prior to the receipt by Bank of any such item shall not constitute a waiver by Bank of Borrower's obligation to deliver such item, and the making of any Credit Extension in the absence of a required item shall be in Bank's sole discretion.

## 3 CREATION OF SECURITY INTEREST

**3.1 Grant of Security Interest.**

(a) Borrower hereby grants Bank, to secure the payment and performance in full of all of the Obligations, a continuing security interest in, and pledges to Bank, the Collateral, wherever located, whether now owned or hereafter acquired or arising, and all proceeds and products thereof.

(b) The Collateral may also be subject to Permitted Liens.

**3.2 Authorization to File Financing Statements.** Borrower hereby authorizes Bank to file financing statements, without notice to Borrower, with all jurisdictions deemed necessary or appropriate by Bank to perfect or protect Bank's interest or rights hereunder, including a notice that any disposition of the Collateral (other than permitted herein), by either Borrower or any other Person, shall be deemed to violate the rights of Bank under the Code. Upon written request by Borrower, Bank shall provide Borrower with filed copies of all financing statements.

**3.3 Termination**. If this Agreement is terminated, Bank's Lien in the Collateral shall continue until the Obligations (other than inchoate indemnity obligations) are repaid in full in cash. Upon payment in full in cash of the Obligations (other than inchoate indemnity obligations) and at such time as Bank's obligation to make Credit Extensions has terminated, the security interest of Bank in the Collateral shall automatically terminated without any further action by any Person and all rights therein shall revert to Borrower; and Bank shall, at Borrower's sole cost and expense, provide payoff and release documentation to evidence the termination of its security interest in the Collateral. In the event (a) all Obligations (other than inchoate indemnity obligations), are satisfied in full, and (b) this Agreement is terminated, Bank shall terminate the security interest granted herein.

**4 REPRESENTATIONS AND WARRANTIES**

Borrower represents and warrants as follows:

**4.1 Due Organization, Authorization; Power and Authority.**

(a) Borrower and each of its Subsidiaries are each duly existing and in good standing as a Registered Organization in their respective jurisdiction of formation and are qualified and licensed to do business and are in good standing in any jurisdiction in which the conduct of their respective business or their ownership of property requires that they be qualified, except where the failure to do so could not reasonably be expected to have a material adverse effect on Borrower's business or operations.

(b) All information set forth on the Perfection Certificate pertaining to Borrower and each of its Subsidiaries is true and correct (it being understood and agreed that Borrower may from time to time update certain information in the Perfection Certificate after the Effective Date to the extent permitted by one or more specific provisions in this Agreement and the Perfection Certificate shall be deemed to be updated to the extent such notice is provided to Bank of such permitted update).

(c) The execution, delivery, and performance by Borrower and each of its Subsidiaries of the Loan Documents to which they are parties have been duly authorized, and do not (i) conflict with any of Borrower's or any such Subsidiary's organizational documents, (ii) contravene, conflict with, constitute a default under, or violate any material Applicable Law, (iii) contravene, conflict with, or violate any applicable order, writ, judgment, injunction, decree, determination, or award of any Governmental Authority by which Borrower or any of its Subsidiaries or any of their property or assets may be bound or affected, (iv) require any action by, filing, registration, or qualification with, or Governmental Approval from, any Governmental Authority (except such Governmental Approvals which have already been obtained and are in full force and effect) and except as could not reasonably be expected to have a material adverse effect on Borrower's business or operations, or (v) conflict with, contravene, constitute a default or breach under, or result in or permit the termination or acceleration of, any material agreement by which Borrower or any of its Subsidiaries is bound. Neither Borrower nor any of the Guarantors are in default under any agreement to which it is a party or by which it is bound in which the default could reasonably be expected to have a material adverse effect on Borrower's or any of the Guarantors' business or operations.

**4.2 Collateral.**

(a) The security interest granted herein is and shall at all times continue to be a first priority perfected security interest in the Collateral (subject to Permitted Liens). Borrower has good title to, rights in, and the power to transfer each item of the Collateral upon which it purports to grant a Lien hereunder, free and clear of any and all Liens except Permitted Liens.

(b) Borrower has no Collateral Accounts at or with any bank or financial institution other than Bank or Bank's Affiliates except for the Collateral Accounts described in the Perfection Certificate delivered to Bank in connection herewith.

(c) The Collateral is not in the possession of any third-party bailee (such as a warehouse) except as otherwise provided in the Perfection Certificate or as permitted pursuant to Section 6.2. None of the components of the Collateral shall be maintained at locations other than as provided in the Perfection Certificate or as permitted pursuant to Section 6.2.

**4.3 Litigation.** Other than as set forth in the Perfection Certificate or as disclosed to Bank pursuant to Section 5.3(h), there are no actions, investigations, or proceedings pending or, to the knowledge of any Responsible Officer, threatened in writing by or against Borrower or any of its Subsidiaries involving more than, individually or in the aggregate, $150,000.00.

**4.4 Financial Statements; Financial Condition.** All consolidated financial statements for Borrower and any of its Subsidiaries delivered to Bank by submission to the Financial Statement Repository or otherwise submitted to Bank fairly present in all material respects Borrower's consolidated financial condition and Borrower's consolidated results of operations for the periods covered thereby, subject, in the case of unaudited financial statements, to normal year-end adjustments and the absence of footnote disclosures. There has not been any material deterioration in Borrower's consolidated financial condition since the date of the most recent financial statements submitted to the Financial Statement Repository or otherwise submitted to Bank.

**4.5 Solvency.** The fair salable value of Borrower's consolidated assets (including goodwill minus disposition costs) exceeds the fair value of Borrower's liabilities; Borrower is not left with unreasonably small capital after the transactions in this Agreement; and Borrower and each of its Subsidiaries are able to pay their debts on a consolidated basis (including trade debts) as they mature.

**4.6 Regulatory Compliance.** Borrower is not an "investment company" or a company "controlled" by an "investment company" under the Investment Company Act of 1940, as amended. Borrower is not engaged as one of its important activities in extending credit for margin stock (under Regulations X, T, and U of the Federal Reserve Board of Governors). Borrower and each of its Subsidiaries (a) have complied in all material respects with all Applicable Law, and (b) have not violated any Applicable Law, the violation of which could reasonably be expected to have a material adverse effect on Borrower's business or operations. Borrower and each of its Subsidiaries have duly complied with, and their respective facilities, business, assets, property, leaseholds, real property, and Equipment are in compliance with, Environmental Laws, except where the failure to do so could not reasonably be expected to have a material adverse effect on Borrower's business or operations; there have been no outstanding citations, notices, or orders of non-compliance issued to Borrower or any of its Subsidiaries or relating to their respective facilities, businesses, assets, property, leaseholds, real property, or Equipment under such Environmental Laws, except where it could not reasonably be expected to have a material adverse effect on Borrower's business or operations. Borrower and each of its Subsidiaries have obtained all consents, approvals, and authorizations of, made all declarations or filings with, and given all notices to, all Governmental Authorities that are necessary to continue their respective businesses as currently conducted, except where the failure to obtain or make or file the same would not reasonably be expected to have a material adverse effect on Borrower's business or operations.

**4.7 Subsidiaries; Investments.** Borrower does not own any stock, partnership, or other ownership interest or other equity securities except for Permitted Investments.

**4.8 Tax Returns and Payments; Pension Contributions.**

(a) Borrower and each of its Subsidiaries have timely filed, or submitted extensions for, all required tax returns and reports, and Borrower and each of its Subsidiaries have timely paid all foreign, federal, state, and local taxes, assessments, deposits, and contributions owed by Borrower and each of its Subsidiaries except (a) to the extent such taxes are being contested in good faith by appropriate proceedings promptly instituted and diligently conducted, so long as such reserve or other appropriate provision, if any, as shall be required in conformity with GAAP shall have been made therefor, or (b) if such taxes, assessments, deposits, and contributions do not, individually or in the aggregate, exceed $50,000.00. Borrower is unaware of any claims or adjustments proposed for any of Borrower's or any of its Subsidiary's prior tax years which could result in additional taxes becoming due and payable by Borrower or any of its Subsidiaries in excess of $50,000.00 in the aggregate.

(b) Borrower and each of its Subsidiaries have paid all amounts necessary to fund all present pension, profit sharing, and deferred compensation plans in accordance with their terms, and neither Borrower nor any of its Subsidiaries has withdrawn from participation in, and has not permitted partial or complete termination of, or permitted the occurrence of any other event with respect to, any such plan which could reasonably be expected to result in any liability of Borrower or any of its Subsidiaries, including any liability to the Pension Benefit Guaranty Corporation or its successors or any other Governmental Authority.

**4.9 Full Disclosure.** No written representation, warranty, or other statement of Borrower or any of its Subsidiaries in any report, certificate, or written statement submitted to the Financial Statement Repository or otherwise submitted to Bank, as of the date such representation, warranty, or other statement was made, taken together with all such reports, certificates, and written statements submitted to the Financial Statement Repository or otherwise submitted to Bank, contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements contained in the reports, certificates, or written statements not misleading in light of the circumstances under which they were made (it being recognized by Bank that the projections and forecasts provided by Borrower or any of its Subsidiaries in good faith and based upon reasonable assumptions are not viewed as facts and that actual results during the period or periods covered by such projections and forecasts may differ from the projected or forecasted results).

**4.10 Sanctions.** Neither Borrower nor any of its Subsidiaries is: (a) in violation of any Sanctions; or (b) a Sanctioned Person. Neither Borrower nor any of its Subsidiaries, directors, officers, employees, agents, or Affiliates: (i) conducts any business or engages in any transaction or dealing with any Sanctioned Person, including making or receiving any contribution of funds, goods, or services to or for the benefit of any Sanctioned Person; (ii) deals in, or otherwise engages in any transaction relating to, any property or interests in property blocked pursuant to any Sanctions; (iii) engages in or conspires to engage in any transaction that evades or avoids, or has the purpose of evading or avoiding, or attempts to violate, any of the prohibitions set forth in any Sanctions; or (iv) otherwise engages in any transaction that could cause Bank to violate any Sanctions.

## 5 AFFIRMATIVE COVENANTS

Borrower shall do all of the following:

**5.1 Use of Proceeds.** Cause the proceeds of the Credit Extensions to be used solely (a) to repay the Horizon Obligations, (b) as working capital or (c) to fund its general business and corporate purposes, and not for personal, family, household or agricultural purposes.

**5.2 Government Compliance.**

(a) Maintain its and all of its Subsidiaries' legal existence (except as permitted under Section 6.3 with respect to Subsidiaries only) and good standing in their respective jurisdictions of formation and maintain qualification in each jurisdiction in which the failure to so qualify would reasonably be expected to have a material adverse effect on Borrower's business or operations. Borrower shall comply, and have each Subsidiary comply, in all material respects, with all laws, ordinances, and regulations to which it is subject.

(b) Obtain all of the Governmental Approvals necessary for the performance by Borrower and each of its Subsidiaries of their obligations under the Loan Documents to which they are parties, including any grant of a security interest in the Collateral to Bank. Borrower shall promptly provide copies of any such obtained Governmental Approvals to Bank.

**5.3 Financial Statements, Reports.** Deliver to Bank by submitting to the Financial Statement Repository:

(a) Quarterly Compliance Statement. Within 45 days after the last day of each fiscal quarter and together with the statements set forth in Section 5.3(b), a duly completed Compliance Statement, confirming that, as of the end of such fiscal quarter, Borrower was in full compliance with all of the terms and conditions of this Agreement, and such other information as Bank may reasonably request;

(b) 10-Q reports. Within 45 days after the end of the first three fiscal quarters of Borrower, a company prepared consolidated balance sheet and income statement covering Borrower's consolidated operations for such quarter, consistent with such quarterly financial statements submitted to the SEC, in a form acceptable to Bank.

(c) Annual Operating Budget and Financial Projections. Within 90 days after the end of each fiscal year of Borrower, and contemporaneously with any updates or amendments thereto, (A) annual operating budgets (including income statements, balance sheets, and cash flow statements, by month) for the current fiscal year of Borrower, and (B) annual financial projections for the current fiscal year (on a quarterly basis), in each case as approved by the Board, together with any related business forecasts used in the preparation of such annual financial projections;

(d) 10-K Reports and Annual Audited Financial Statements. As soon as available, and in any event within 90 days following the end of Borrower's fiscal year, Borrower's 10-K report, together with audited consolidated financial statements prepared under GAAP, consistently applied, together with an unqualified opinion on the financial statements from an independent certified public accounting firm reasonably acceptable to Bank;

(e) SEC Filings. Promptly filing, notification of the filing and copies of all periodic and other reports, proxy statements, and other materials filed by Borrower and/or any of its Subsidiaries or any Guarantor with the SEC, any Governmental Authority succeeding to any or all of the functions of the SEC, or with any national securities exchange, or distributed to its shareholders, as the case may be. Documents required to be delivered pursuant to the terms hereof (to the extent any such documents are included in materials otherwise filed with the SEC) may be delivered electronically and, if so delivered, shall be deemed to have been delivered on the date on which Borrower or any of its Subsidiaries posts such documents, or provides a link thereto, on Borrower's or any of its Subsidiaries' website on the internet at Borrower's or any of its Subsidiaries' website address; provided, however, Borrower shall promptly notify Bank in writing (which may be by electronic mail) of the posting of any such documents;

(f) Security Holder and Subordinated Debt Holder Reports. Promptly upon delivery, copies of all material statements, reports, and notices generally made available to Borrower's security holders or to any holders of Subordinated Debt (solely in their capacities as security holders or holders of Subordinated Debt and not in any other role);

(g) Beneficial Ownership Information. If applicable to Borrower, upon request by Bank, Borrower shall provide prompt written notice of any changes to the beneficial ownership information set out in Section 14 of the Perfection Certificate. Borrower understands and acknowledges that Bank relies on such true, accurate, and up-to-date beneficial ownership information to meet Bank's regulatory obligations to obtain, verify, and record information about the beneficial owners of its legal entity customers;

(h) Legal Action Notice. Prompt written notice of any legal actions, investigations, or proceedings pending or threatened in writing against Borrower or any of its Subsidiaries that could reasonably be expected to result in damages or costs to Borrower or any of its Subsidiaries of, individually or in the aggregate, $150,000.00 or more;

(i) Tort Claim Notice. If Borrower shall acquire a commercial tort claim in excess of $150,000.00, Borrower shall promptly notify Bank in a writing signed by Borrower of the general details thereof, and grant to Bank in such writing a security interest therein and in the proceeds thereof, all upon the terms of this Agreement, with such writing to be in form and substance reasonably satisfactory to Bank;

(j) Government Filings. Promptly after the same are sent or received, copies of all material correspondence, reports, documents, and other filings by Borrower or any of its Subsidiaries with any Governmental Authority regarding compliance with or maintenance of Governmental Approvals or Applicable Law or that could reasonably be expected to have a material adverse effect on any of the Governmental Approvals or otherwise on the business of Borrower or any of its Subsidiaries;

(k) Registered Organization. If Borrower is not a Registered Organization as of the Effective Date but later becomes one, promptly notify Bank of such occurrence and provide Bank with Borrower's organizational identification number;

(l) Default. Prompt written notice of the occurrence of a Default or Event of Default; and

(m) Other Information. Promptly, from time to time, such other information regarding Borrower or any of its Subsidiaries or compliance with the terms of any Loan Documents as reasonably requested by Bank.

Any submission by Borrower of a Compliance Statement or any other financial statement submitted to the Financial Statement Repository pursuant to this Section 5.3 or otherwise submitted to Bank shall be deemed to be a representation by Borrower that (i) as of the date of such Compliance Statement or other financial statement, the information and calculations set forth therein are true and correct, (ii) as of the end of the compliance period set forth in such submission, Borrower is in complete compliance with all required covenants except as noted in such Compliance Statement or other financial statement, as applicable, (iii) as of the date of such submission, no Events of Default have occurred or are continuing, (iv) all representations and warranties other than any representations or warranties that are made as of a specific date in Section 4 remain true and correct in all material respects as of the date of such submission except as noted in such Compliance Statement or other financial statement, as applicable, (v) as of the date of such submission, Borrower and each of its Subsidiaries has timely filed all required tax returns and reports, and Borrower has timely paid all foreign, federal, state, and local taxes, assessments, deposits, and contributions owed by Borrower except as otherwise permitted pursuant to the terms of Section 4.8, and (vi) as of the date of such submission, no Liens have been levied or claims made against Borrower or any of its Subsidiaries relating to unpaid employee payroll or benefits of which Borrower has not previously provided written notification to Bank.

**5.4 Taxes; Pensions.**

(a) Timely file, and require each of its Subsidiaries to timely file (in each case, unless subject to a valid extension), all required tax returns and reports and timely pay, and require each of its Subsidiaries to timely pay, all foreign, federal, state, and local taxes, assessments, deposits, and contributions owed by Borrower and each of its Subsidiaries, except for (i) taxes that do not exceed $50,000.00 and (ii) deferred payment of any taxes contested pursuant to the terms of Section 4.8(a) hereof, and shall deliver to Bank, on demand, appropriate certificates attesting to such payments, and pay, and require each of its Subsidiaries to pay, all amounts necessary to fund all present pension, profit sharing, and deferred compensation plans in accordance with their terms.

(b) To the extent Borrower or any of its Subsidiaries defers payment of any contested taxes, the Borrower shall (i) notify Bank in writing of the commencement of, and any material development in, the proceedings, and (ii) post bonds or take any other steps required to prevent the Governmental Authority levying such contested taxes from obtaining a Lien upon any of the Collateral that is other than a "Permitted Lien."

**5.5 Access to Collateral; Books and Records.** At reasonable times, on five (5) Business Days' prior notice (provided no notice is required if an Event of Default has occurred and is continuing), Bank, or its agents, shall have the right to inspect the Collateral and the right to audit and copy Borrower's Books. Such inspections and audits shall be conducted no more often than once every 12 months, unless an Event of Default has occurred and is continuing, in which case such inspections and audits shall occur as often as Bank shall determine is necessary. The foregoing inspections and audits shall be conducted at Borrower's expense and the charge therefor shall be $1,000.00 per person per day (or such higher amount as shall represent Bank's then-current standard charge for the same), plus out-of-pocket expenses. In the event Borrower and Bank schedule an audit more than eight (8) days in advance, and Borrower cancels or seeks to or reschedules the audit with less than eight (8) days written notice to Bank, then (without limiting any of Bank's rights or remedies) Borrower shall pay Bank a fee of $2,000.00 plus any out-of-pocket expenses incurred by Bank to compensate Bank for the anticipated costs and expenses of the cancellation or rescheduling.

**5.6 Insurance.**

(a) Keep its business and the Collateral insured for risks and in amounts standard for companies in Borrower's industry and location and as Bank may reasonably request. Insurance policies shall be in a form, with financially sound and reputable insurance companies that are not Affiliates of Borrower, and in amounts that are reasonably satisfactory to Bank.

(b) All liability policies (other than D&O liability insurance, worker's compensation insurance and business interruption insurance) shall show, or have endorsements showing, Bank as an additional insured.

(c) Ensure that proceeds payable under any property policy are, at Bank's option, payable to Bank on account of the Obligations. Notwithstanding the foregoing, (a) so long as no Event of Default has occurred and is continuing, Borrower shall have the option of applying proceeds of any casualty policy up to $100,000.00 with respect to any loss, but not exceeding $200,000.00 in the aggregate for all losses under all casualty policies in one year, toward the replacement or repair of destroyed or damaged property; provided that any such replaced or repaired property (i) shall be of equal or like value as the replaced or repaired Collateral and (ii) shall be deemed Collateral in which Bank has been granted a first priority security interest, and (b) after the occurrence and during the continuance of an Event of Default, all proceeds payable under such casualty policy shall, at the option of Bank, be payable to Bank on account of the Obligations.

(d) At Bank's request, Borrower shall deliver certified copies of insurance policies and evidence of all premium payments. Each provider of any such insurance required under this Section 5.5 shall agree, by endorsement upon the policy or policies issued by it or by independent instruments furnished to Bank, that it will give Bank 30 days' prior written notice before any such policy or policies shall be canceled or altered in any material respect. If Borrower fails to obtain insurance as required under this Section 5.5 or to pay any amount or furnish any required proof of payment to third persons and Bank, Bank may make all or part of such payment or obtain such insurance policies required in this Section 5.5, and take any action under the policies Bank deems prudent.

**5.7 Accounts.**

(a) Maintain all of Borrower's, any of its Subsidiaries', and any Guarantor's operating accounts with Bank. In addition to the foregoing, Borrower shall, at all times have on deposit as cash collateral in a segregated money market bank account (the "**Cash Collateral Account**") in the name of Borrower and maintained with Bank, unrestricted and unencumbered cash (other than lien in favor of Bank) in an amount of at least 100% of the aggregate outstanding amount of the Term Loan Advances (the "**Minimum Threshold Amount**"). Bank may restrict withdrawals or transfers by or on behalf of Borrower that would violate this Section 5.7(a) regardless of whether an Event of Default exists at such time.

(b) In addition to the foregoing, Borrower, any Subsidiary of Borrower, and any Guarantor shall obtain any letter of credit exclusively from Bank.

(c) In addition to and without limiting the restrictions in (a), Borrower shall provide Bank 5 days' prior written notice before establishing any Collateral Account at or with any bank or financial institution other than Bank or Bank's Affiliates. For each Collateral Account that Borrower at any time maintains, Borrower shall cause the applicable bank or financial institution (other than Bank) at or with which any Collateral Account is maintained to execute and deliver a Control Agreement or other appropriate instrument with respect to such Collateral Account to perfect Bank's Lien in such Collateral Account in accordance with the terms hereunder, which Control Agreement may not be terminated without the prior written consent of Bank. The provisions of the previous sentence shall not apply to deposit accounts exclusively used for payroll, payroll taxes, and other employee wage and benefit payments to or for the benefit of Borrower's employees and identified to Bank by Borrower as such.

**5.8 Protection of Intellectual Property Rights.** (i) Protect, defend, and maintain the validity and enforceability of Borrower's and each Subsidiary's Intellectual Property, except to the extent that such failure to do so would not reasonably be expected to have a material adverse effect on Borrower's business or operations; (ii) promptly advise Bank in writing of infringements or any other event that could reasonably be expected to materially and adversely affect the value Borrower's and each Subsidiary's Intellectual Property material to Borrower's business; and (iii) not allow any Intellectual Property material to Borrower's or any Subsidiary's business to be abandoned, forfeited, or dedicated to the public without Bank's written consent.

**5.9 Litigation Cooperation.** From the date hereof and continuing through the termination of this Agreement, make available to Bank (and if no Event of Default exists, during normal business hours), without expense to Bank, Borrower and its officers, employees, and agents and Borrower's books and records, to the extent that Bank may deem them reasonably necessary to prosecute or defend any third-party suit or proceeding instituted by or against Bank with respect to any Collateral or relating to Borrower.

**5.10 Formation or Acquisition of Subsidiaries.** Notwithstanding and without limiting the negative covenants contained in Sections 6.3 and 6.7 hereof, within 14 Business Days (or such longer period as Bank may agree in writing in its sole and absolute discretion) after the date that that Borrower or any Guarantor forms any Subsidiary or acquires any Subsidiary after the Effective Date (including, without limitation, pursuant to a Division), Borrower and such Guarantor shall (a) cause such new Subsidiary to provide to Bank a joinder to this Agreement to become a co-borrower hereunder or a guaranty to become a Guarantor hereunder (as determined by Bank in its sole discretion), together with documentation, all in form and substance satisfactory to Bank (including being sufficient to grant Bank a first priority Lien (subject to Permitted Liens) in and to the assets of such newly formed or acquired Subsidiary), (b) provide to Bank appropriate certificates and powers and financing statements, pledging all of the direct or beneficial ownership interest in such new Subsidiary, in form and substance satisfactory to Bank; and (c) provide to Bank all other documentation in form and substance satisfactory to Bank. Any document, agreement, or instrument executed or issued pursuant to this Section 5.10 shall be a Loan Document. Notwithstanding the foregoing, as of the Effective Date and thereafter, CLSN Laboratories, Inc. shall not be a co-Borrower or Guarantor hereunder.

**5.11 Inventory; Returns.** Keep all Inventory in good and marketable condition, free from material defects. Returns and allowances between Borrower and its Account Debtors shall follow Borrower's customary practices in the ordinary course. Borrower shall promptly notify Bank of all returns, recoveries, disputes, and claims that involve more than $150,000.00.

**5.12 Further Assurances.** Execute any further instruments and take such further action as Bank reasonably requests to perfect, protect, ensure the priority of, or continue Bank's Lien on the Collateral or to effect the purposes of this Agreement.

**5.13 Sanctions**. (a) Not, and not permit any of its Subsidiaries to, engage in any of the activities described in Section 4.10 in the future; (b) not, and not permit any of its Subsidiaries to, become a Sanctioned Person; (c) ensure that the proceeds of the Obligations are not used to violate any Sanctions; and (d) deliver to Bank any certification or other evidence requested from time to time by Bank in its sole discretion, confirming each such Person's compliance with this Section 5.13. In addition, have implemented, and will consistently apply while this Agreement is in effect, procedures to ensure that the representations and warranties in Section 4.10 remain true and correct while this Agreement is in effect.

**5.14 Post-Closing Matters**. Deliver to Bank, within thirty (30) days of the Effective Date, in form and substance acceptable to Bank, evidence that the insurance indorsements required by Section 5.6 hereof are in full force and effect, together with additional insured clauses or endorsements in favor of Bank.

## 6 NEGATIVE COVENANTS

Borrower shall not do any of the following without Bank's prior written consent:

**6.1 Dispositions.** Convey, sell, lease, transfer, assign, or otherwise dispose of (including, without limitation, pursuant to a Division) (collectively, "**Transfer**"), or permit any of its Subsidiaries to Transfer, all or any part of its business or property, except for Transfers (a) of Inventory in the ordinary course of business; (b) of worn-out or obsolete Equipment that is, in the reasonable judgment of Borrower, no longer economically practicable to maintain or useful in the ordinary course of business of Borrower; (c) consisting of Permitted Liens and Permitted Investments; (d) consisting of the sale or issuance of any stock, partnership, membership, or other ownership interest or other equity securities of Borrower permitted under Section 6.2 of this Agreement; (e) consisting of Borrower's or its Subsidiaries' use or transfer of money or Cash Equivalents in a manner that is not prohibited by the terms of this Agreement or the other Loan Documents; (f) of non-exclusive licenses, sublicenses, and cross-licenses for the use of the property of Borrower or its Subsidiaries in the ordinary course of business; and (g) transfers from Borrower to another Borrower or a secured Guarantor.

**6.2 Changes in Business, Management, Control, or Business Locations.** (a) Engage in or permit any of its Subsidiaries to engage in any business other than the businesses currently engaged in by Borrower and such Subsidiary, as applicable, or reasonably related or incidental thereto; (b) liquidate or dissolve or permit any of its Subsidiaries to liquidate or dissolve (except that a Subsidiary may liquidate or dissolve, provided that all assets of such Subsidiary are transferred to Borrower or another Subsidiary); (c) fail to provide notice to Bank of any Key Person departing from or ceasing to be employed by Borrower within 10 Business Days after such Key Person's departure from Borrower; and (d) permit, allow, or suffer to occur any Change in Control. Borrower shall not without at least 10 days' prior written notice (or such shorter notice as Bank may agree in writing in its sole and absolute discretion) to Bank, (i) add any new offices or business locations, including warehouses (unless such new offices or business locations contain less than $100,000.00 in Borrower's assets or property) or deliver any portion of the Collateral valued, individually or in the aggregate, in excess of $100,000.00 to a bailee at a location other than to a bailee and at a location already disclosed in the Perfection Certificate, (ii) change its jurisdiction of organization, (iii) change its organizational structure or type, or (iv) change its legal name.

**6.3 Mergers or Acquisitions.** Merge or consolidate, or permit any of its Subsidiaries to merge or consolidate, with any other Person, or acquire, or permit any of its Subsidiaries to acquire, all or substantially all of the stock, partnership, membership, or other ownership interest or other equity securities or property of another Person (including, without limitation, by the formation of any Subsidiary or pursuant to a Division). A Subsidiary may merge or consolidate into another Subsidiary or into Borrower.

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

**6.5 Encumbrance.** Create, incur, allow, or suffer to exist any Lien on any of its property, or assign or convey any right to receive income, including the sale of any Accounts, or permit any of its Subsidiaries to do so, except for Permitted Liens, permit any Collateral not to be subject to the first priority security interest granted herein.

**6.6 Maintenance of Collateral Accounts.** Maintain any Collateral Account except pursuant to the terms of Section 5.7(c).

**6.7 Distributions; Investments.** (a) Pay any dividends or make any distribution or payment, or redeem, retire, or purchase any stock, partnership, membership, or other ownership interest or other equity securities; or (b) directly or indirectly make any Investment (including, without limitation, by the formation of any Subsidiary) other than Permitted Investments, or permit any of its Subsidiaries to do so.

**6.8 Transactions with Affiliates.** Directly or indirectly enter into or permit to exist any material transaction with any Affiliate of Borrower, except for transactions that are in the ordinary course of Borrower's business, upon fair and reasonable terms that are no less favorable to Borrower than would be obtained in an arm's-length transaction with a non-affiliated Person.

**6.9 Subordinated Debt.** Except as expressly permitted under the terms of the subordination, intercreditor, or other similar agreement to which any Subordinated Debt is subject: (a) make or permit any payment on such Subordinated Debt; or (b) amend any provision in any document relating to such Subordinated Debt which would increase the principal amount thereof, provide for earlier or greater principal, interest, or other payments thereon, or adversely affect the subordination thereof to Obligations owed to Bank.

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

## 7 EVENTS OF DEFAULT

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

**7.1 Payment Default.** Borrower fails to (a) make any payment of principal or interest on any Credit Extension on its due date, or (b) pay any other Obligations within 3 Business Days after such Obligations are due and payable (which Business Day cure period shall not apply to payments due on the Term Loan Maturity Date). During the cure period, the failure to make or pay any payment specified under clause (b) hereunder is not an Event of Default (but no Credit Extension will be made during the cure period);

**7.2 Covenant Default.**

(a) Borrower fails or neglects to perform any obligation in Section 5 (other than Sections 5.2 (Government Compliance), 5.9 (Litigation Cooperation), 5.11 (Inventory; Returns), and 5.12 (Further Assurances)) or violates any covenant in Section 6; or

(b) Borrower fails or neglects to perform, keep, or observe any other term, provision, condition, covenant, or agreement contained in this Agreement or any Loan Documents, and as to any default (other than those specified in this Section 7) under such other term, provision, condition, covenant, or agreement that can be cured, has failed to cure the default within 10 Business Days after the occurrence thereof; provided, however, that if the default cannot by its nature be cured within the 10-Business Day period or cannot after diligent attempts by Borrower be cured within such 10-Business Day period, and such default is likely to be cured within a reasonable time, then Borrower shall have an additional period (which shall not in any case exceed 30 days) to attempt to cure such default, and within such reasonable time period the failure to cure the default shall not be deemed an Event of Default (but no Credit Extensions shall be made during such cure period). Cure periods provided under this section shall not apply, among other things, to financial covenants or any other covenants that are required to be satisfied, completed, or tested by a date certain or any covenants set forth in clause (a) above;

**7.3 Material Adverse Change.** A Material Adverse Change occurs;

**7.4 Attachment; Levy; Restraint on Business.**

(a) (i) The service of process seeking to attach, by trustee or similar process, any funds of Borrower or any Subsidiary in excess of $50,000.00, or (ii) a notice of lien or levy is filed against any of Borrower's or any of its Subsidiaries' assets by any Governmental Authority with a value in excess of $50,000.00, and the same under subclauses (i) and (ii) hereof are not, within 10 Business Days after the occurrence thereof, discharged or stayed (whether through the posting of a bond or otherwise); provided, however, no Credit Extensions shall be made during any 10 day cure period; or

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

**7.5 Insolvency.** (a) Borrower is unable to pay its debts (including trade debts) as they become due or otherwise becomes insolvent; (b) Borrower begins an Insolvency Proceeding; or (c) an Insolvency Proceeding is begun against Borrower and is not dismissed or stayed within 45 days (but no Credit Extensions shall be made while any of the conditions described in clause (a) exist or until any Insolvency Proceeding is dismissed);

**7.6 Other Agreements.** There is, under any agreement to which Borrower, any of Borrower's Subsidiaries, or any Guarantor is a party with a third party or parties, (a) any default resulting in a right by such third party or parties, whether or not exercised, to accelerate the maturity of any Indebtedness in an amount individually or in the aggregate in excess of $250,000.00; or (b) any breach or default by Borrower, any of Borrower's Subsidiaries, or Guarantor, the result of which could have a material adverse effect on Borrower's, any of Borrower's Subsidiaries', or any Guarantor's business or operations;

**7.7 Judgments; Penalties.** One or more fines, penalties, or final judgments, orders, or decrees for the payment of money in an amount, individually or in the aggregate, of at least $250,000.00 (not covered by independent third-party insurance as to which liability has been accepted by such insurance carrier) shall be rendered against Borrower or any of its Subsidiaries by any Governmental Authority, and the same are not, within 30 days after the entry, assessment, or issuance thereof, discharged, or after execution thereof, or stayed pending appeal, or such judgments are not discharged prior to the expiration of any such stay (provided that no Credit Extensions will be made prior to the discharge, or stay of such fine, penalty, judgment, order, or decree);

**7.8 Misrepresentations.** Borrower or any of its Subsidiaries or any Person acting for Borrower or any of its Subsidiaries makes any representation, warranty, or other statement now or later in this Agreement, any Loan Document, or in any writing delivered to Bank or to induce Bank to enter this Agreement or any Loan Document, and such representation, warranty, or other statement is incorrect in any material respect when made (it being agreed and acknowledged by Bank that the projections and forecasts provided by Borrower or any of its Subsidiaries in good faith and based upon reasonable assumptions are not viewed as facts and that actual results during the period or periods covered by such projections and forecasts may differ from the projected or forecasted results);

**7.9 Subordinated Debt.** If: (a) any document, instrument, or agreement evidencing any Subordinated Debt shall for any reason be revoked or invalidated or otherwise cease to be in full force and effect, or any Person (other than Bank) shall be in breach thereof or contest in any manner the validity or enforceability thereof or deny that it has any further liability or obligation thereunder; (b) a default or event of default (however defined) has occurred under any document, instrument, or agreement evidencing any Subordinated Debt, which default shall not have been cured or waived within any applicable grace period; or (c) the Obligations shall for any reason be subordinated or shall not have the priority contemplated by this Agreement or any applicable subordination or intercreditor agreement;

**7.10 Lien Priority.** There is a material impairment in the perfection or priority of Bank's security interest in the Collateral;

**7.11 Guaranty.** (a) Any guaranty of any Obligations terminates or ceases for any reason to be in full force and effect; (b) any Guarantor does not perform any obligation or covenant under any guaranty of the Obligations; (c) any circumstance described in Sections 7.3, 7.4, 7.5, 7.6, 7.7, or 7.8 of this Agreement occurs with respect to any Guarantor, (d) the death, liquidation, winding up, or termination of existence of any Guarantor; or (e) (i) a material impairment in the perfection or priority of Bank's Lien in the collateral provided by Guarantor or in the value of such collateral, or (ii) a material adverse change in the general affairs, management, results of operation, condition (financial or otherwise) or the prospect of repayment of the Obligations, occurs with respect to any Guarantor; or

**7.12 Governmental Approvals.** Any Governmental Approval shall have been (a) revoked, rescinded, suspended, modified in an adverse manner, or not renewed in the ordinary course for a full term or (b) subject to any decision by a Governmental Authority that designates a hearing with respect to any applications for renewal of any of such Governmental Approval or that could result in the Governmental Authority taking any of the actions described in clause (a) above, and such decision or such revocation, rescission, suspension, modification, or non-renewal (i) causes, or could reasonably be expected to cause, a Material Adverse Change, or (ii) adversely affects the legal qualifications of Borrower or any of its Subsidiaries to hold such Governmental Approval in any applicable jurisdiction and such revocation, rescission, suspension, modification, or non-renewal could reasonably be expected to cause, a Material Adverse Change.

## 8 BANK'S RIGHTS AND REMEDIES

**8.1 Rights and Remedies.** Upon the occurrence and during the continuance of an Event of Default, Bank may, without notice or demand, do any or all of the following:

(a) declare all Obligations immediately due and payable (but if an Event of Default described in Section 7.5 occurs, all Obligations are immediately due and payable without any action by Bank);

(b) stop advancing money or extending credit for Borrower's benefit under this Agreement or under any other agreement between Borrower and Bank;

(c) [reserved];

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

(e) apply to the Obligations any (i) balances and deposits of Borrower it holds, or (ii) amount held by Bank owing to or for the credit or the account of Borrower;

(f) ship, reclaim, recover, store, finish, maintain, repair, prepare for sale, advertise for sale, and sell the Collateral.

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

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

(i) exercise all rights and remedies available to Bank under the Loan Documents or at law or equity, including all remedies provided under the Code or any Applicable Law (including disposal of the Collateral pursuant to the terms thereof).

**8.2 Power of Attorney.** Borrower hereby irrevocably appoints Bank as its true and lawful attorney-in-fact, (a) exercisable upon the occurrence and during the continuance of an Event of Default, to: (i) endorse Borrower's name on any checks, payment instruments, or other forms of payment or security; (ii) sign Borrower's name on any invoice or bill of lading for any Account or drafts against Account Debtors; (iii) demand, collect, sue, and give releases to any Account Debtor for monies due, settle and adjust disputes and claims about the Accounts directly with Account Debtors, and compromise, prosecute, or defend any action, claim, case, or proceeding about any Collateral (including filing a claim or voting a claim in any bankruptcy case in Bank's or Borrower's name, as Bank chooses); (iv) make, settle, and adjust all claims under Borrower's insurance policies; (v) pay, contest, or settle any Lien, charge, encumbrance, security interest, or other claim in or to the Collateral, or any judgment based thereon, or otherwise take any action to terminate or discharge the same; and (vi) transfer the Collateral into the name of Bank or a third party as the Code permits; and (b) if and when an Event of Default has occurred and is continuing, to sign Borrower's name on any documents necessary to perfect or continue the perfection of Bank's security interest in the Collateral. Bank's foregoing appointment as Borrower's attorney in fact, and all of Bank's rights and powers, coupled with an interest, are irrevocable until such time as all Obligations (other than inchoate indemnity obligations) have been satisfied in full, Bank is under no further obligation to make Credit Extensions and the Loan Documents have been terminated. Bank shall not incur any liability in connection with or arising from the exercise of such power of attorney and shall have no obligation to exercise any of the foregoing rights and remedies.

**8.3 Protective Payments.** If Borrower fails to obtain the insurance called for by Section 5.5 or fails to pay any premium thereon or fails to pay any other amount which Borrower is obligated to pay under this Agreement or any other Loan Document or which may be required to preserve the Collateral, Bank may obtain such insurance or make such payment, and all amounts so paid by Bank are Bank Expenses and immediately due and payable, bearing interest at the Default Rate, and secured by the Collateral. Bank will make reasonable efforts to provide Borrower with notice of Bank obtaining such insurance at the time it is obtained or within a reasonable time thereafter. No payments by Bank are deemed an agreement to make similar payments in the future or Bank's waiver of any Event of Default.

**8.4 Application of Payments and Proceeds.** After the occurrence and during the continuance of an Event of Default, Bank may apply any funds in its possession, whether from Borrower account balances, payments, proceeds realized as the result of any collection of Accounts or other disposition of the Collateral, or otherwise, to the Obligations in such order as Bank shall determine in its sole discretion. Any surplus shall be paid to Borrower or other Persons legally entitled thereto; Borrower shall remain liable to Bank for any deficiency. If Bank, in its commercially reasonable discretion, directly or indirectly, enters into a deferred payment or other credit transaction with any purchaser at any sale of Collateral, Bank shall have the option, exercisable at any time, of either reducing the Obligations by the principal amount of the purchase price or deferring the reduction of the Obligations until the actual receipt by Bank of cash therefor.

**8.5 Bank's Liability for Collateral.** Bank's sole duty with respect to the custody, safekeeping, and physical preservation of the Collateral in its possession or under its control, under Section 9-207 of the Code or otherwise, shall be to deal with it in the same manner as Bank deals with its own property consisting of similar instruments or interests. Borrower bears all risk of loss, damage, or destruction of the Collateral.

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

**8.7 Demand Waiver.** Unless otherwise provided for herein or elsewhere in the Loan Documents, Borrower waives demand, notice of default or dishonor, notice of payment and nonpayment, notice of any default, nonpayment at maturity, release, compromise, settlement, extension, or renewal of accounts, documents, instruments, chattel paper, and guarantees held by Bank on which Borrower is liable.

## 9 NOTICES

All notices, consents, requests, approvals, demands, or other communication by any party to this Agreement or any other Loan Document must be in writing and shall be deemed to have been validly served, given, or delivered: (a) upon the earlier of actual receipt and 3 Business Days after deposit in the U.S. mail, first-class, registered or certified mail return receipt requested, with proper postage prepaid; (b) upon transmission, when sent by electronic mail; (c) 1 Business Day after deposit with a reputable overnight courier with all charges prepaid; or (d) when delivered, if hand-delivered by messenger, all of which shall be addressed to the party to be notified and sent to the address or email address indicated below; provided that, for clause (b), if such notice, consent, request, approval, demand, or other communication is not sent during the normal business hours of the recipient, it shall be deemed to have been sent at the opening of business on the next Business Day of the recipient. Bank or Borrower may change its mailing or electronic mail address by giving the other party written notice thereof in accordance with the terms of this Section 9.

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|---|---|
| If to Borrower: | Celsion Corporation<br>997 Lenox Drive, Suite 100<br>Lawrenceville, NJ 08648<br>Attn: Jeffrey W. Church<br>Email: jchurch@celsion.com<br>Website URL: https://celsion.com/leadership-team/ |
| If to Bank: | Silicon Valley Bank<br>275 Grove Street, Suite 2-200<br>Newton, MA 02466<br>Attn: Ryan Gass<br>Email: rgass@svb.com |

with a copy to (which shall not constitute notice): Morrison & Foerster LLP
200 Clarendon Street, Floor 20
Boston, Massachusetts 02116
Attn: David A. Ephraim, Esquire
Email: DEphraim@mofo.com

**10 CHOICE OF LAW, VENUE AND JURY TRIAL WAIVER; JUDICIAL REFERENCE**

Except as otherwise expressly provided in any of the Loan Documents, New York law governs the Loan Documents without regard to principles of conflicts of law that would require the application of the laws of another jurisdiction. Borrower and Bank each irrevocably and unconditionally submit to the exclusive jurisdiction of the State and Federal courts in New York, New York; provided, however, that nothing in this Agreement shall be deemed to operate to preclude Bank from bringing suit or taking other legal action in any other jurisdiction with respect to the Loan Documents or to realize on the Collateral or any other security for the Obligations, or to enforce a judgment or other court order in favor of Bank. Borrower expressly, irrevocably, and unconditionally submits and consents in advance to such jurisdiction in any action or suit commenced in any such court, and Borrower hereby irrevocably and unconditionally waives, to the fullest extent permitted by Applicable Law, any objection that it may have based upon lack of personal jurisdiction, improper venue, or forum non conveniens and hereby irrevocably and unconditionally consents to the granting of such legal or equitable relief as is deemed appropriate by such court. Borrower hereby waives personal service of the summons, complaints, and other process issued in such action or suit and agrees that service of such summons, complaints, and other process may be made by registered or certified mail addressed to Borrower at the address set forth in, or subsequently provided by Borrower in accordance with, Section 9 of this Agreement and that service so made shall be deemed completed upon the earlier to occur of Borrower's actual receipt thereof or 3 days after deposit in the U.S. mails, proper postage prepaid.

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

This Section 10 shall survive the termination of this Agreement and the repayment of all Obligations.

**11 GENERAL PROVISIONS**

**11.1 Termination Prior to Maturity Date; Survival.** All covenants, representations, and warranties made in this Agreement shall continue in full force until this Agreement has terminated pursuant to its terms and all Obligations (other than inchoate indemnity obligations) have been satisfied. So long as Borrower has satisfied the Obligations (other than inchoate indemnity obligations, and any other obligations which, by their terms, are to survive the termination of this Agreement and the repayment of all Obligations), this Agreement may be terminated prior to the Term Loan Maturity Date by Borrower, effective 3 Business Days after written notice of termination is given to Bank. Those obligations that are expressly specified in this Agreement as surviving this Agreement's termination and the repayment of all Obligations shall continue to survive notwithstanding this Agreement's termination and the repayment of all Obligations.

**11.2 Successors and Assigns.** This Agreement binds and is for the benefit of the successors and permitted assigns of each party. Borrower may not assign or transfer this Agreement or any rights or obligations under it without Bank's prior written consent (which may be granted or withheld in Bank's sole discretion) and any other attempted assignment or transfer by Borrower shall be null and void. Bank has the right, without the consent of or notice to Borrower, to sell, transfer, assign, negotiate, or grant participation in all or any part of, or any interest in, Bank's obligations, rights, and benefits under this Agreement and the other Loan Documents. Unless an Event of Default has occurred and is continuing, Bank shall only assign any interest in the Loan Documents to any Eligible Assignee. For purposes hereof, an "Eligible Assignee" is (a) any bank organized under the Federal Reserve System, or (b) any commercial bank, insurance company, investment or mutual fund or other entity that is an "accredited investor" (as defined in Regulation D under the Securities Act) and which extends credit or buys loans as one of its businesses and (i) has at least $500,000,000 of Tier 1 Capital and a Credit Rating of at least A1/P1 or equivalent or single A or equivalent, (ii) is not a vulture fund or distressed debt fund as reasonably determined by Bank, and (iii) is not a competitor of Borrower as reasonably determined by Borrower; provided that neither the Borrower nor any Subsidiary of the Borrower shall be an Eligible Assignee.

**11.3 Indemnification.**

(a) General Indemnification. Borrower shall indemnify, defend, and hold Bank and its Affiliates and the partners, directors, officers, employees, agents, trustees, administrators, managers, advisors, and representatives of Bank and its Affiliates (each, an "**Indemnified Person**") harmless against: all losses, claims, damages, liabilities, and related expenses (including Bank Expenses and the reasonable fees, charges, and disbursements of any counsel for any Indemnified Person) (collectively, "**Claims**") arising out of, in connection with, or as a result of (i) the execution or delivery of this Agreement, any other Loan Document, or any agreement or instrument contemplated hereby or thereby, the performance by the parties hereto of their respective obligations hereunder or thereunder, or the consummation of the transactions contemplated hereby or thereby, (ii) any Credit Extension or the use or proposed use of the proceeds therefrom, (iii) any actual or alleged presence or release of hazardous materials on or from any property owned or operated by Borrower or any of its Subsidiaries, or any environmental liability related in any way to Borrower or any of its Subsidiaries, or (iv) any actual or prospective claim, litigation, investigation, or proceeding relating to any of the foregoing, whether based on contract, tort, or any other theory, whether brought by a third party or by Borrower, and regardless of whether any Indemnified Person is a party thereto; provided that such indemnity shall not, as to any Indemnified Person, be available to the extent that such losses, claims, damages, liabilities, or related expenses are determined by a court of competent jurisdiction by final and non-appealable judgment to have resulted from the gross negligence or willful misconduct of such Indemnified Person. All amounts due under this Section 11.3 shall be payable promptly after demand therefor.

(b) Waiver of Consequential Damages, Etc. To the fullest extent permitted by Applicable Law, Borrower shall not assert, and hereby waives, any claim against any Indemnified Person, on any theory of liability, for special, indirect, consequential, or punitive damages (as opposed to direct or actual damages) or any loss of profits arising out of, in connection with, or as a result of, this Agreement, any other Loan Document, or any agreement or instrument contemplated hereby, the transactions contemplated hereby or thereby, any Credit Extension, or the use of the proceeds thereof. No Indemnified Person shall be liable for any damages arising from the use by unintended recipients of any information or other materials distributed by it through telecommunications, electronic, or other information transmission systems in connection with this Agreement or the other Loan Documents or the transactions contemplated hereby or thereby.

This Section 11.3 shall survive the termination of this Agreement and the repayment of all Obligations until all statutes of limitation with respect to the Claims, losses, and expenses for which indemnity is given shall have run.

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

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

**11.6 Amendments in Writing; Waiver; Integration.** No purported amendment or modification of any Loan Document, or waiver, discharge, or termination of any obligation under any Loan Document, shall be effective unless, and only to the extent, expressly set forth in a writing signed by each party hereto. Without limiting the generality of the foregoing, no oral promise or statement, nor any action, inaction, delay, failure to require performance, or course of conduct shall operate as, or evidence, an amendment, supplement, or waiver or have any other effect on any Loan Document. Any waiver granted shall be limited to the specific circumstance expressly described in it, and shall not apply to any subsequent or other circumstance, whether similar or dissimilar, or give rise to, or evidence, any obligation or commitment to grant any further waiver. The Loan Documents represent the entire agreement about this subject matter and supersede prior negotiations or agreements. All prior agreements, understandings, representations, warranties, and negotiations between the parties about the subject matter of the Loan Documents merge into the Loan Documents.

**11.7 Counterparts.** This Agreement may be executed in any number of counterparts and by different parties on separate counterparts, each of which, when executed and delivered, is an original, and all taken together, constitute one Agreement. Delivery of an executed signature page of this Agreement by electronic mail transmission shall be effective as delivery of a manually executed counterpart hereof.

**11.8 Confidentiality.** Bank agrees to maintain the confidentiality of Information (as defined below), except that Information may be disclosed (a) to Bank's Subsidiaries and Affiliates and their respective employees, directors, agents, attorneys, accountants, and other professional advisors (collectively, "**Representatives**" and, together with Bank, collectively, "**Bank Entities**"); (b) to prospective transferees, assignees, credit providers, or purchasers of Bank's interests under or in connection with this Agreement and their Representatives (provided, however, Bank shall use commercially reasonable efforts to obtain any such prospective transferee's, assignee's, credit provider's, purchaser's, or their Representatives' agreement to the terms of this provision); (c) as required by law, regulation, subpoena, or other order; (d) to Bank's regulators or as otherwise required or requested in connection with Bank's examination or audit; (e) in connection with the exercise of remedies under the Loan Documents or any action or proceeding relating to this Agreement or any other Loan Document or the enforcement of rights hereunder or thereunder; and (f) to third-party service providers of Bank so long as such service providers have executed a confidentiality agreement with Bank with terms no less restrictive than those contained herein. "**Information**" means all information received from Borrower regarding Borrower or its business, in each case other than information that is either: (i) in the public domain or in Bank's possession when disclosed to Bank, or becomes part of the public domain (other than as a result of its disclosure by Bank in violation of this Agreement) after disclosure to Bank; or (ii) disclosed to Bank by a third party, if Bank does not know that the third party is prohibited from disclosing the information.

**11.9 Electronic Execution of Documents.** The words "execution," "signed," "signature," and words of like import in any Loan Document shall be deemed to include electronic signatures, including any Electronic Signature as defined in the Electronic Transactions Law (2003 Revision) of the Cayman Islands (the "**Cayman Islands Electronic Signature Law**"), if applicable, or the keeping of records in electronic form, including any Electronic Record, as defined in Cayman Islands Electronic Signature Law, each of which shall be of the same legal effect, validity and enforceability as a manually executed signature or the use of a paper-based recordkeeping systems, as the case may be, to the extent and as provided for in any Applicable Law, including, without limitation, any state law based on the Uniform Electronic Transactions Act or the Cayman Islands Electronic Signature Law; provided, however that sections 8 and 19(3) of the Cayman Islands Electronic Signature Law shall not apply to this Agreement or the execution or delivery thereof.

**11.10 Right of Setoff.** Borrower hereby grants to Bank a Lien and a right of setoff as security for all Obligations to Bank, whether now existing or hereafter arising upon and against all deposits, credits, collateral, and property, now or hereafter in the possession, custody, safekeeping or control of Bank or any entity under the control of Bank (including a subsidiary of Bank) or in transit to any of them, and other obligations owing to Bank or any such entity. At any time after the occurrence and during the continuance of an Event of Default, without demand or notice, Bank may set off the same or any part thereof and apply the same to any liability or Obligation of Borrower even though unmatured and regardless of the adequacy of any other collateral securing the Obligations. ANY AND ALL RIGHTS TO REQUIRE BANK TO EXERCISE ITS RIGHTS OR REMEDIES WITH RESPECT TO ANY OTHER COLLATERAL WHICH SECURES THE OBLIGATIONS, PRIOR TO EXERCISING ITS RIGHT OF SETOFF WITH RESPECT TO SUCH DEPOSITS, CREDITS, OR OTHER PROPERTY OF BORROWER, ARE HEREBY KNOWINGLY, VOLUNTARILY, AND IRREVOCABLY WAIVED.

**11.11 Captions and Section References.** The headings used in this Agreement are for convenience only and shall not affect the interpretation of this Agreement. Unless indicated otherwise, section references herein are to sections of this Agreement.

**11.12 Construction of Agreement.** The parties hereto mutually acknowledge that they and their attorneys have participated in the preparation and negotiation of this Agreement. In cases of uncertainty this Agreement shall be construed without regard to which of the parties caused the uncertainty to exist.

**11.13 Relationship.** The relationship of the parties to this Agreement is determined solely by the provisions of this Agreement. The parties do not intend to create any agency, partnership, joint venture, trust, fiduciary, or other relationship with duties or incidents different from those of parties to an arm's-length contract.

**11.14 Third Parties.** Nothing in this Agreement, whether express or implied, is intended to: (a) confer any benefits, rights, or remedies under or by reason of this Agreement on any Persons other than the express parties to it and their respective permitted successors and assigns; (b) relieve or discharge the obligation or liability of any Person not an express party to this Agreement; or (c) give any Person not an express party to this Agreement any right of subrogation or action against any party to this Agreement.

**11.15 Anti-Terrorism Law.** Bank hereby notifies Borrower that, pursuant to the requirements of Anti-Terrorism Law, Bank may be required to obtain, verify, and record information that identifies Borrower, which information may include the name and address of Borrower and other information that will allow Bank to identify Borrower in accordance with Anti-Terrorism Law. Borrower hereby agrees to take any action necessary to enable Bank to comply with the requirements of Anti-Terrorism Law.

## 12 ACCOUNTING TERMS AND OTHER DEFINITIONS

**12.1 Accounting and Other Terms.**

(a) Accounting terms not defined in this Agreement shall be construed following GAAP. Calculations and determinations must be made following GAAP (except for with respect to unaudited financial statements for the absence of footnotes and subject to year-end audit adjustments), provided that, if at any time any change in GAAP would affect the computation of any financial ratio or requirement set forth in any Loan Document, and either Borrower or Bank shall so request, Borrower and Bank shall negotiate in good faith to amend such ratio or requirement to preserve the original intent thereof in light of such change in GAAP; provided, further, that, until so amended, (i) such ratio or requirement shall continue to be computed in accordance with GAAP prior to such change therein and (ii) Borrower shall provide Bank financial statements and other documents required under this Agreement or as reasonably requested hereunder setting forth a reconciliation between calculations of such ratio or requirement made before and after giving effect to such change in GAAP.

(b) As used in the Loan Documents: (i) the words "shall" or "will" are mandatory, the word "may" is permissive, the word "or" is not exclusive, the words "includes" and "including" are not limiting, the singular includes the plural, and numbers denoting amounts that are set off in brackets are negative; (ii) the term "continuing" in the context of an Event of Default means that the Event of Default has not been remedied (if capable of being remedied) or waived; and (iii) whenever a representation or warranty is made to Borrower's knowledge or awareness, to the "best of" Borrower's knowledge, or with a similar qualification, knowledge or awareness means the actual knowledge, after reasonable investigation, of any Responsible Officer.

**12.2 Definitions.** Capitalized terms not otherwise defined in this Agreement shall have the meanings set forth in this Section 12.2. All other terms contained in this Agreement, unless otherwise indicated, shall have the meaning provided by the Code to the extent such terms are defined therein. As used in this Agreement, the following capitalized terms have the following meanings:

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

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

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

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

"**Anti-Terrorism Law**" means any law relating to terrorism or money laundering, including Executive Order No. 13224 and the USA Patriot Act.

"**Applicable Law**" means all applicable provisions of constitutions, laws, statutes, ordinances, rules, treaties, regulations, permits, licenses, approvals, interpretations, and orders of courts or Governmental Authorities and all orders and decrees of all courts and arbitrators.

"**Authorized Signer**" means any individual listed in Borrower's Borrowing Resolution who is authorized to execute the Loan Documents, including making (and executing if applicable) any Credit Extension request, on behalf of Borrower.

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

"**Bank Entities**" is defined in Section 11.8.

"**Bank Expenses**" are all audit fees, costs, and reasonable expenses (including reasonable, out-of-pocket, and documented attorneys' fees and expenses) for preparing, amending, negotiating, administering, defending, and enforcing the Loan Documents (including, without limitation, those incurred in connection with appeals or Insolvency Proceedings) or otherwise incurred with respect to Borrower or any Guarantor.

"**Board**" is Borrower's board of directors or equivalent governing body.

"**Borrower**" is set forth on Schedule I hereto.

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

"**Borrowing Resolutions**" are, with respect to any Person, those resolutions adopted by such Person's board of directors (and, if required under the terms of such Person's Operating Documents, stockholders) and delivered by such Person to Bank approving the Loan Documents to which such Person is a party and the transactions contemplated thereby, together with a certificate executed by its secretary on behalf of such Person certifying (a) such Person has the authority to execute, deliver, and perform its obligations under each of the Loan Documents to which it is a party, (b) that set forth as a part of or attached as an exhibit to such certificate is a true, correct, and complete copy of the resolutions then in full force and effect authorizing and ratifying the execution, delivery, and performance by such Person of the Loan Documents to which it is a party, (c) the name(s) of the Person(s) authorized to execute the Loan Documents, including making (and executing if applicable) any Credit Extension request, on behalf of such Person, together with a sample of the true signature(s) of such Person(s), and (d) that Bank may conclusively rely on such certificate unless and until such Person shall have delivered to Bank a further certificate canceling or amending such prior certificate.

"**Business Day**" is a day other than a Saturday, Sunday, or other day on which commercial banks in the State of California are authorized or required by law to close.

"**Cash Collateral Account**" is defined in Section 5.7(a) hereof.

"**Cash Equivalents**" are (a) marketable direct obligations issued or unconditionally guaranteed by the United States or any agency or any State thereof having maturities of not more than one (1) year from the date of acquisition; (b) commercial paper maturing no more than one (1) year after its creation and having the highest rating from either Standard & Poor's Ratings Group or Moody's Investors Service, Inc.; (c) Bank's certificates of deposit issued maturing no more than one (1) year after issue; and (d) money market funds at least 95.0% of the assets of which constitute Cash Equivalents of the kinds described in clauses (a) through (c) of this definition.

"**Cash Pledge Agreement**" is that certain Cash Pledge Agreement dated as of the Effective Date executed by Borrower in favor of Bank, as amended, modified, supplemented and/or restated from time to time.

"**Cayman Islands Electronic Signature Law**" is defined in Section 11.9. "**Change in Control**" means (a) at any time, any "person" or "group" (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act), shall become, or obtain rights (whether by means of warrants, options, or otherwise) to become, the "beneficial owner" (as defined in Rules 13(d)-3 and 13(d)-5 under the Exchange Act), directly or indirectly, of 35.0% or more of the ordinary voting power for the election of directors, partners, managers, and members, as applicable, of Borrower (determined on a fully diluted basis) other than by the sale of Borrower's equity securities in a public offering or to venture capital or private equity investors so long as Borrower identifies to Bank the venture capital or private equity investors at least 7 Business Days prior to the closing of the transaction and provides to Bank a description of the material terms of the transaction; (b) during any period of 12 consecutive months, a majority of the members of the Board of Borrower cease to be composed of individuals (i) who were members of that board or equivalent governing body on the first day of such period, (ii) whose election or nomination to that board or equivalent governing body was approved by individuals referred to in clause (i) above constituting at the time of such election or nomination at least a majority of that board or equivalent governing body, or (iii) whose election or nomination to that board or other equivalent governing body was approved by individuals referred to in clauses (i) and (ii) above constituting at the time of such election or nomination at least a majority of that board or equivalent governing body; or (c) at any time, Borrower shall cease to own and control, of record and beneficially, directly or indirectly, 100.0% of each class of outstanding stock, partnership, membership, or other ownership interest or other equity securities of each Subsidiary of Borrower free and clear of all Liens (except Permitted Liens).

"**Change in Law**" means the occurrence, after the Effective Date, of: (a) the adoption or taking effect of any law, rule, regulation, or treaty; (b) any change in Applicable Law or in the administration, interpretation, implementation, or application thereof by any Governmental Authority; or (c) the making or issuance of any request, rule, guideline, or directive (whether or not having the force of law) by any Governmental Authority; provided that, notwithstanding anything herein to the contrary, (i) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, guidelines, or directives thereunder or issued in connection therewith and (ii) all requests, rules, guidelines, or directives promulgated by Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority), or the United States or foreign regulatory authorities, in each case pursuant to Basel III, shall in each case be deemed to be a "Change in Law", regardless of the date enacted, adopted, or issued.

"**Claims**" is defined in Section 11.3.

"**Collateral**" consists of all of Borrower's right, title, and interest in that certain money market account (Cash Collateral Account) – Account No. xxxxxxx504 (last three digits of account only) maintained by Borrower at Bank, and all cash, Cash Equivalents and other deposits and proceeds from time to time contained therein.

"**Collateral Account**" is any Deposit Account, Securities Account, or Commodity Account.

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

"**Compliance Statement**" is that certain statement in the form attached hereto as Exhibit A.

"**Connection Income Taxes**" means Other Connection Taxes that are imposed on or measured by net income (however denominated) or that are franchise Taxes or branch profits Taxes.

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

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

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

"**Credit Extension**" is any Term Loan Advance, or any other extension of credit by Bank for Borrower's benefit.

"**Currency**" is coined money and such other banknotes or other paper money as are authorized by law and circulate as a medium of exchange.

"**Default**" means any event which with notice or passage of time or both, would constitute an Event of Default.

"**Default Rate**" is defined in Section 1.2(c).

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

"**Designated Deposit Account**" is the deposit account established by Borrower with Bank for purposes of receiving Credit Extensions.

"**Division**" means, in reference to any Person which is an entity, the division of such Person into two (2) or more separate Persons, with the dividing Person either continuing or terminating its existence as part of such division, including, without limitation, as contemplated under Section 18-217 of the Delaware Limited Liability Company Act for limited liability companies formed under Delaware law, Section 17-220 of the Delaware Revised Uniform Limited Partnership Act for limited partnerships formed under Delaware law, or any analogous action taken pursuant to any other Applicable Law with respect to any corporation, limited liability company, partnership, or other entity.

"**Dollars**," "**dollars,**" or use of the sign "$" means only lawful money of the United States and not any other currency, regardless of whether that currency uses the "$" sign to denote its currency or may be readily converted into lawful money of the United States. "**Dollar Equivalent**" is, at any time, (a) with respect to any amount denominated in Dollars, such amount, and (b) with respect to any amount denominated in a Foreign Currency, the equivalent amount therefor in Dollars as determined by Bank at such time on the basis of the then-prevailing rate of exchange in San Francisco, California, for sales of the Foreign Currency for transfer to the country issuing such Foreign Currency.

"**Draw Period**" is set forth on Schedule I hereto.

"**Effective Date**" is set forth on Schedule I hereto.

"**Eligible Assignee**" is defined in Section 11.2.

"**Environmental Laws**" means any Applicable Law (including any permits, concessions, grants, franchises, licenses, agreements, or governmental restrictions) relating to pollution or the protection of health, safety, or the environment or the release of any materials into the environment (including those related to hazardous materials, air emissions, discharges to waste or public systems, and health and safety matters).

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

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

"**Event of Default**" is defined in Section 7.

"**Exchange Act**" is the Securities Exchange Act of 1934, as amended.

"**Excluded Taxes**" means any of the following Taxes imposed on or with respect to Bank or required to be withheld or deducted from a payment to Bank, (a) Taxes imposed on or measured by net income (however denominated), franchise Taxes, and branch profits Taxes, in each case, (i) imposed as a result of Bank being organized under the laws of, or having its principal office or its applicable lending office located in, the jurisdiction imposing such Tax (or any political subdivision thereof) or (ii) that are Other Connection Taxes, (b) U.S. federal withholding Taxes imposed on amounts payable to or for the account of Bank with respect to an applicable interest in a Credit Extension pursuant to a law in effect on the date on which (i) Bank acquires such interest in the Credit Extensions or (ii) Bank changes its lending office, except in each case to the extent that, pursuant to Section 1.6, amounts with respect to such Taxes were payable either to Bank's assignor immediately before Bank became a party hereto or to Bank immediately before it changed its lending office, (c) Taxes attributable to Bank's failure to comply with Section 1.6(e), and (d) any withholding Taxes imposed under FATCA.

"**FATCA**" means Sections 1471 through 1474 of the Internal Revenue Code, as of the date of this Agreement (or any amended or successor version that is substantively comparable and not materially more onerous to comply with), any current or future regulations or official interpretations thereof, any agreements entered into pursuant to Section 1471(b)(1) of the Internal Revenue Code, and any fiscal or regulatory legislation, rules, or practices adopted pursuant to any intergovernmental agreement, treaty, or convention among Governmental Authorities and implementing such Sections of the Internal Revenue Code.

"**Final Payment**" is a payment (in addition to and not a substitution for the regular monthly payments of principal plus accrued interest) due on the earliest to occur of (a) the Term Loan Maturity Date, (b) the repayment of the Term Loan Advances in full, (c) as required pursuant to Sections 1.1(c) or 1.1(d), or (d) the termination of this Agreement, in the amount of $300,000.00.

"**Financial Statement Repository**" is Bank's email address specified in Section 9 or such other means of collecting information approved and designated by Bank after providing notice thereof to Borrower from time to time.

"**Foreign Currency**" is the lawful money of a country other than the United States.

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

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

"**General Intangibles**" is all "general intangibles" as defined in the Code in effect on the date hereof, with such additions to such term as may hereafter be made, and includes, without limitation, all Intellectual Property, claims, income and other tax refunds, security and other deposits, payment intangibles, contract rights, options to purchase or sell real or personal property, rights in all litigation presently or hereafter pending (whether in contract, tort, or otherwise), insurance policies (including without limitation key man, property damage, and business interruption insurance), payments of insurance, and rights to payment of any kind.

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

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

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

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

"**Horizon Finance**" is collectively, (i) Horizon Technology Finance Corporation, (ii) Horizon Funding I, LLC, and (iii) Horizon Funding Trust 2019-1, each of (ii) and (iii) is an assignee of (i).

"**Horizon Obligations**" is set forth on Schedule I hereto.

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

"**Indemnified Person**" is defined in Section 11.3.

"**Indemnified Taxes**" means (a) Taxes, other than Excluded Taxes, imposed on or with respect to any payment made by or on account of any obligation of Borrower under any Loan Document and (b) to the extent not otherwise described in clause (a), Other Taxes.

"**Information**" is defined in Section 11.8.

"**Initial Term Loan Advance**" is set forth on Schedule I hereto.

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

"**Intellectual Property**" means, with respect to any Person, all of such Person's right, title, and interest in and to the following:

(a) any Copyrights, Trademarks, and Patents;

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

(c) any and all source code;

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

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

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

"**Internal Revenue Code**" means the U.S. Internal Revenue Code of 1986, and the rules and regulations promulgated thereunder, each as amended or modified from time to time.

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

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

"**Key Person**" is each of Borrower's (i) President and Chief Executive Officer, who is Michael H. Tardugno, (ii) Executive Vice President and Chief Scientific Officer, who is Kursheed Anwer, (iii) Executive Vice President and Chief Medical Officer, who is Nicholas Borys, and (iv) Executive Vice President, Chief Financial Officer and Corporate Secretary, who is Jeffrey W. Church.

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

"**Loan Documents**" are, collectively, this Agreement and any schedules, exhibits, certificates, notices, and any other documents related to this Agreement, the Perfection Certificate, Control Agreements, the Cash Pledge Agreement, any subordination agreement, any note, or notes, or guaranties executed by Borrower or any Guarantor, landlord waivers and consents, bailee waivers and consents, and any other present or future agreement by Borrower and/or any Guarantor with or for the benefit of Bank in connection with this Agreement, all as amended, restated, or otherwise modified in accordance with the terms thereof.

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

"**Minimum Threshold Amount**" defined in Section 5.7(a) hereof.

"**Obligations**" are Borrower's obligations to pay when due any debts, principal, interest, fees, Bank Expenses, the Prepayment Fee, the Final Payment, and other amounts Borrower owes Bank now or later, whether under this Agreement, the other Loan Documents, or otherwise, including, without limitation, interest accruing after Insolvency Proceedings begin and debts, liabilities, or obligations of Borrower assigned to Bank, and to perform Borrower's duties under the Loan Documents.

"**OFAC**" is the Office of Foreign Assets Control of the United States Department of the Treasury and any successor thereto.

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

"**Other Connection Taxes**" means, with respect to Bank, Taxes imposed as a result of a present or former connection between Bank and the jurisdiction imposing such Tax (other than connections arising from Bank having executed, delivered, become a party to, performed its obligations under, received payments under, received or perfected a security interest under, engaged in any other transaction pursuant to, or enforced any Loan Document, or sold or assigned an interest in any Credit Extension or Loan Document).

"**Other Taxes**" means all present or future stamp, court, documentary, intangible, recording, filing, or similar Taxes that arise from any payment made under, from the execution, delivery, performance, enforcement, or registration of, from the receipt or perfection of a security interest under, or otherwise with respect to, any Loan Document, except any such Taxes that are Other Connection Taxes imposed with respect to an assignment.

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

"**Payment/Advance Form**" is that certain form in the form attached hereto as Exhibit B.

"**Payment Date**" is set forth on Schedule I hereto.

"**Perfection Certificate**" is the Perfection Certificate delivered by Borrower in connection with this Agreement.

"**Permitted Indebtedness**" is:

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

(b) Indebtedness existing on the Effective Date which is shown on the Perfection Certificate;

(c) Subordinated Debt;

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

(e) Indebtedness incurred as a result of endorsing negotiable instruments received in the ordinary course of business;

(f) Indebtedness secured by Liens permitted under clauses (a) and (c) of the definition of "Permitted Liens" hereunder; and

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

"**Permitted Investments**" are:

(a) Investments (including, without limitation, Subsidiaries) existing on the Effective Date which are shown on the Perfection Certificate; and

(b) Investments consisting of Cash Equivalents.

"**Permitted Liens**" are:

(a) Liens existing on the Effective Date which are shown on the Perfection Certificate or arising under this Agreement or the other Loan Documents;

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

(c) purchase money Liens (i) on Equipment acquired or held by Borrower incurred for financing the acquisition of the Equipment, securing no more than $150,000.00 in the aggregate amount outstanding, or (ii) existing on Equipment when acquired, if the Lien is confined to the property and improvements and the proceeds of the Equipment; and

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

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

"**Prepayment Fee**" shall be an additional fee, payable to Bank, with respect to the Term Loan Advances, in an amount equal to:

(a) for a prepayment of the Term Loan Advances made on or prior to the first (1st) anniversary of the Effective Date, three percent (3.0%) of the then outstanding principal amount of the Term Loan Advances immediately prior to the date of such prepayment;

(b) for a prepayment of the Term Loan Advances made after the first (1st) anniversary of the Effective Date, but on or prior to the second (2nd) anniversary of the Effective Date, two percent (2.0%) of the then outstanding principal amount of the Term Loan Advances immediately prior to the date of such prepayment;

(c) for a prepayment of the Term Loan Advances made after the second (2nd) anniversary of the Effective Date, but on or prior to the Third anniversary of the Effective Date, one percent (1.0%) of the then outstanding principal amount of the Term Loan Advances immediately prior to the date of such prepayment; and

(d) for a prepayment of the Term Loan Advances made after the third (3rd) anniversary of the Effective Date, zero percent (0.0%) of the then outstanding principal amount of the Term Loan Advances immediately prior to the date of such prepayment.

Notwithstanding the foregoing, provided no Event of Default has occurred and is continuing, the Prepayment Fee shall be waived by Bank if Bank closes on the refinance and redocumentation of the Term Loan Advances (in its sole and absolute discretion) prior to the Term Loan Maturity Date.

"**Prime Rate**" is set forth on Schedule I hereto.

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

"**Representatives**" is defined in Section 11.8.

"**Responsible Officer**" is any of the Chief Executive Officer, President, Chief Financial Officer, and Controller of Borrower.

"**Sanctioned Person**" means a Person that: (a) is listed on any Sanctions list maintained by OFAC or any similar Sanctions list maintained by any other Governmental Authority having jurisdiction over Borrower; (b) is located, organized, or resident in any country, territory, or region that is the subject or target of Sanctions; or (c) is 50.0% or more owned or controlled by 1 or more Persons described in clauses (a) and (b) hereof.

"**Sanctions**" means the economic sanctions laws, regulations, embargoes, or restrictive measures administered, enacted, or enforced by the United States government and any of its agencies, including, without limitation, OFAC and the U.S. State Department, or any other Governmental Authority having jurisdiction over Borrower.

"**SEC**" is the Securities and Exchange Commission, any successor thereto, and any analogous Governmental Authority.

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

"**Specified Affiliate**" is any Person (a) more than 10.0% of whose aggregate issued and outstanding equity or ownership securities or interests, voting, non-voting or both, are owned or held directly or indirectly, beneficially or of record, by Borrower, and/or (b) whose equity or ownership securities or interests representing more than 10.0% of such Person's total outstanding combined voting power are owned or held directly or indirectly, beneficially or of record, by Borrower.

"**Subordinated Debt**" is indebtedness incurred by Borrower or any of its Subsidiaries subordinated to all of Borrower's or any of its Subsidiaries' now or hereafter indebtedness to Bank (pursuant to a subordination, intercreditor, or other similar agreement in form and substance satisfactory to Bank entered into between Bank and the other creditor), on terms acceptable to Bank.

"**Subsidiary**" is, as to any Person, a corporation, partnership, limited liability company, or other entity of which shares of stock, partnership, membership, or other ownership interest or other equity securities having ordinary voting power (other than stock, partnership, membership, or other ownership interest or other equity securities having such power only by reason of the happening of a contingency) to elect a majority of the board of directors or other managers of such corporation, partnership, or other entity are at the time owned, or the management of which is otherwise controlled, directly or indirectly through one or more intermediaries, or both, by such Person. Unless the context otherwise requires, each reference to a Subsidiary herein shall be a reference to a Subsidiary of Borrower or Guarantor.

"**Taxes**" means all present or future taxes, levies, imposts, duties, deductions, withholdings (including backup withholding), assessments, fees, or other charges imposed by any Governmental Authority, including any interest, additions to tax or penalties applicable thereto.

"**Term Loan Advance**" and "**Term Loan Advances**" are each defined in Section 1.1 of this Agreement.

"**Term Loan Availability Amount**" is set forth on Schedule I hereto.

"**Term Loan Maturity Date**" is set forth on Schedule I hereto.

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

"**Transfer**" is defined in Section 6.1.

"**USA Patriot Act**" means the "Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001" (Public Law 107-56, signed into law on October 26, 2001), as amended from time to time.

*[Signature page follows]*

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

**BORROWER:**

**CELSION CORPORATION**

By: _____
Name: Jeffrey W. Church
Title: Executive Vice President, Chief Financial Officer and Corporate Secretary

**BANK:**

**SILICON VALLEY BANK**

By: _____
Name: Lauren Cole
Title: Director

**SCHEDULE I**
**LSA PROVISIONS**

| LSA Section | LSA Provision |
|---|---|
| 1.1(a) – Term Loan – Availability | Each Term Loan Advance must be in an amount equal to at least $2,000,000.00. After repayment, no Term Loan Advance (or any portion thereof) may be reborrowed. Subject to the terms and conditions of this Agreement, upon Borrower's request, Bank shall make an initial Term Loan Advance ("**Initial Term Loan Advance**") available to Borrower on or about the Effective Date in an original principal amount of $6,000,000.00; provided that all or a portion of the Initial Term Loan Advance shall be used to repay in full Borrower's outstanding obligations and liabilities to Horizon Finance (the "**Horizon Obligations**"). Borrower hereby authorizes Bank to apply the proceeds of the Initial Term Loan Advance to the Horizon Obligations as part of the funding process without actually depositing such funds into an account of Borrower. |
| 1.1(b) – Term Loan – Repayment | Commencing on July 1, 2023 and continuing on each Payment Date thereafter, Borrower shall repay each Term Loan Advance in (i) 24 equal monthly installments of principal, plus (ii) monthly payments of accrued interest at the rate set forth in Section 1.2(b)(i). |
| 1.2(a) – Interest Payments – Term Loan Advances | Interest on the principal amount of each Term Loan Advance is payable in arrears monthly (A) on each Payment Date commencing on the first Payment Date following the Funding Date of each such Term Loan Advance, (B) on the date of any prepayment, and (C) on the Term Loan Maturity Date. |
| 1.2(b)(i) – Interest Rate – Term Loan Advances | The outstanding principal amount of any Term Loan Advance shall accrue interest at a floating rate per annum equal to the greater of (1) 3.25% and (2) the Prime Rate, which interest shall be payable in accordance with Section 1.2(a). |
| 1.2(e) – Interest Computation | Interest shall be computed on the basis of the actual number of days elapsed and a 360-day year for any Credit Extension outstanding. |
| 12.2 – "Borrower" | "**Borrower**" means Celsion Corporation, a Delaware corporation. |
| 12.2 – "Draw Period" | "**Draw Period**" is the period commencing on the Effective Date and ending on June 30, 2022. |
| 12.2 – "Effective Date" | "**Effective Date**" is June 18, 2021. |
| 12.2 – "Payment Date" | "**Payment Date**" is the first (1st) calendar day of each month. |
| 12.2 – "Prime Rate" | "**Prime Rate**" is the rate of interest per annum from time to time published in the money rates section of The Wall Street Journal or any successor publication thereto as the "prime rate" then in effect; provided that if such rate of interest, as set forth from time to time in the money rates section of The Wall Street Journal, becomes unavailable for any reason as determined by Bank, the "Prime Rate" shall mean the rate of interest per annum announced by Bank as its prime rate in effect at its principal office in the State of California (such Bank-announced Prime Rate not being intended to be the lowest rate of interest charged by Bank in connection with extensions of credit to debtors); provided that, in the event such rate of interest is less than 0.0% per annum, such rate shall be deemed to be 0.0% per annum for purposes of this Agreement. |
| 12.2 – "Term Loan Availability Amount" | "**Term Loan Availability Amount**" is an aggregate principal amount equal to $10,000,000.00. |
| 12.2 – "Term Loan Maturity Date" | "**Term Loan Maturity Date**" is June 1, 2025. |

**EXHIBIT A**

COMPLIANCE STATEMENT

TO: SILICON VALLEY BANK Date: _____
FROM: CELSION CORPORATION

Under the terms and conditions of the Loan and Security Agreement between Borrower and Bank (as amended, modified, supplemented, and/or restated from time to time, the "**Agreement**"), Borrower is in complete compliance for the period ending _____ with all required covenants except as noted below. Attached are the required documents evidencing such compliance, setting forth calculations prepared in accordance with GAAP consistently applied from one period to the next except as explained in an accompanying letter or footnotes. Capitalized terms used but not otherwise defined herein shall have the meanings given them in the Agreement.

**Please indicate compliance status by circling Yes/No under "Complies" column.**

| Reporting Covenants | Required | Complies |
|---|---|---|
| Compliance Statement | Quarterly within 45 days | Yes No |
| 10-Q Report | Within 45 days of Q1, Q2, and Q3 | |
| 10-K Report and Annual financial statements (CPA Audited) | FYE within 90 days | Yes No |
| Filed 10-Q, 10-K and 8-K | Promptly after filing with SEC | Yes No |
| Board approved projections | FYE within 90 days and as amended/updated | Yes No |

The following are the exceptions with respect to the statements above: (If no exceptions exist, state "No exceptions to note.")

_____
_____
_____

**EXHIBIT B**
**LOAN PAYMENT/ADVANCE REQUEST FORM**

**DEADLINE FOR SAME DAY PROCESSING IS NOON EASTERN TIME**

Date: _____

**LOAN PAYMENT:**

CELSION CORPORATION

From Account # _____ To Account # _____
(Deposit Account #) (Loan Account #)

Principal $ _____ and/or Interest $ _____

Authorized Signature: _____ Phone Number: _____
Print Name/Title: _____

**LOAN ADVANCE:**

Complete *Outgoing Wire Request* section below if all or a portion of the funds from this loan advance are for an outgoing wire.

From Account # _____ To Account # _____
(Loan Account #) (Deposit Account #)

Amount of Term Loan Advance $ _____

All Borrower's representations and warranties in the Loan and Security Agreement are true, correct, and complete in all material respects on the date of the request for an advance; provided, however, that such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality in the text thereof; and provided, further that those representations and warranties expressly referring to a specific date shall be true and correct in all material respects as of such date:

Authorized Signature: _____ Phone Number _____
Print Name/Title: _____

**OUTGOING WIRE REQUEST:**

**Complete only if all or a portion of funds from the loan advance above is to be wired.**

Deadline for same day processing is noon, Eastern Time

Beneficiary Name: _____ Amount of Wire: $ _____
Beneficiary Bank: _____ Account Number: _____
City and State: _____

Beneficiary Bank Transit (ABA) #: _____ Beneficiary Bank Code (Swift, Sort, Chip, etc.): _____
**(For International Wire Only)**

Intermediary Bank: _____ Transit (ABA) #: _____
For Further Credit to: _____

Special Instruction: _____

*By signing below, I (we) acknowledge and agree that my (our) funds transfer request shall be processed in accordance with and subject to the terms and conditions set forth in the agreements(s) covering funds transfer service(s), which agreements(s) were previously received and executed by me (us).*

Authorized Signature: _____ 2nd Signature (if required): _____

Print Name/Title: _____ Print Name/Title: _____
Telephone #: _____ Telephone #: _____

**Exhibit 31.1**

**CELSION CORPORATION**
**CERTIFICATION**

I, Michael H. Tardugno, certify that:

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

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

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

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

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

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

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

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

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

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

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

**Celsion Corporation**

November 15, 2021

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

**Exhibit 31.2**

**CELSION CORPORATION**
**CERTIFICATION**

I, Jeffrey W. Church, certify that:

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

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

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

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

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

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

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

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

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

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

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

**Celsion Corporation**

November 15, 2021

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

**Exhibit 32.1**

**CELSION CORPORATION**

**SECTION 1350 CERTIFICATIONS***

Pursuant to the requirement set forth in Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. §1350), each of the undersigned hereby certifies that, to the best of his knowledge, (i) the Quarterly Report on Form 10-Q for the period ended September 30, 2021 of Celsion Corporation (the "Company") filed with the Securities and Exchange Commission on the date hereof fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act and (ii) the information contained in such report fairly presents, in all material respects, the financial condition and results of operations of the Company.

November 15, 2021

By: */s/ Michael H. Tardugno*

Michael H. Tardugno
Chairman, President and Chief Executive Officer

November 15, 2021

By: */s/ Jeffrey W. Church*

Jeffrey W. Church
Executive Vice President and Chief Financial Officer

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