

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

**FORM S-8**  
REGISTRATION STATEMENT  
UNDER  
THE SECURITIES ACT OF 1933

**CELSION CORPORATION**

(Exact Name of Registrant as Specified in Its Charter)

**DELAWARE**

(State or Other Jurisdiction of Incorporation or Organization)

**52-1256615**

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

**10220-L OLD COLUMBIA ROAD  
COLUMBIA, MD**

(Address of Principal Executive Offices)

**21046-  
2364**

(Zip Code)

**EMPLOYMENT AGREEMENT BY AND BETWEEN CELSION CORPORATION  
AND LAWRENCE OLANOFF, M.D., PH.D.**

(Full Title of the Plan)

**ANTHONY P. DEASEY  
EXECUTIVE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER**

**CELSION CORPORATION  
10220-L OLD COLUMBIA ROAD  
COLUMBIA, MD 21046-2364**

(Name, and Address of Agent For Service)

**(410) 290-5390**

Telephone Number, Including Area Code, of Agent for Service.

*COPIES TO:*

**MELISSA ALLISON WARREN  
VENABLE LLP  
1800 MERCANTILE BANK & TRUST BLDG.  
2 HOPKINS PLAZA  
BALTIMORE, MD 21201  
(410) 244-7400**

**CALCULATION OF REGISTRATION FEE**

<b>Title Of Securities To Be Registered</b>	<b>Amount To Be Registered (1)</b>	<b>Proposed Maximum Offering Price Per Share (2)</b>	<b>Proposed Maximum Aggregate Offering Price (2)</b>	<b>Amount Of Registration Fee (2)</b>
Common stock, par value \$0.01 per share	6,440,000 Shares	\$0.38	\$2,447,200	\$288.04

- (1) Pursuant to Rule 416 under the Securities Act of 1933, as amended, this Registration Statement also covers an indeterminate number of additional shares as may be issued as a result of adjustments by reason of any stock split, stock dividend or similar transaction.
- (2) The exercise price for the options is equal to the closing price for Celsion Corporation Common Stock, as reported by The American Stock Exchange, on July 29, 2005. The maximum aggregate offering price and registration fee have been computed pursuant to Rule 457(h) under the Securities Act of 1933, as amended, based on the price at which the options may be exercised.

## EXPLANATORY NOTE

This Registration Statement on Form S-8 registers 6,440,000 shares of the Common Stock, par value \$0.01 per share (“Common Stock”) of Celsion Corporation, a Delaware Corporation (the “Registrant”), underlying Options issued to Lawrence Olanoff, M.D., Ph.D., in connection with the inducement and retention of Dr. Olanoff to serve as the Registrant’s President and Chief Executive Officer, and as a member of its Board of Directors, pursuant to an Employment Agreement (the “Employment Agreement”) and as reflected in a Grant Agreement, each effective July 29, 2005 (the “Effective Date”). The Employment Agreement heretofore has been filed with the Securities and Exchange Commission (the “Commission”), and the Grant Agreement is filed as an Exhibit to this Registration Statement, and each is incorporated herein by reference. The Option vests in four (4) equal installments of 1,610,000 shares of Common Stock on the first, second, third and fourth anniversaries of the Effective Date, *provided* that, if Dr. Olanoff’s employment is terminated prior to the first anniversary of the Effective Date under certain circumstances (as set forth in the Employment Agreement and the Grant Agreement), the first installment of Options shall vest on the date of such termination and the remainder of the Options shall not vest and shall be forfeited and that, if Dr. Olanoff is not employed on the second, third or fourth anniversary of the Effective Date, the installments vesting on and after any such anniversary shall not vest and the Options included therein shall be forfeited. The Options are exercisable, once vested, for a period ending on the tenth anniversary of the Effective Date at a price equal to the closing price of the Common Stock on The American Stock Exchange on the Effective Date, subject to early termination under certain circumstances, as set forth in the Employment Agreement and the Grant Agreement.

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**EXHIBITS**

**PART I**  
**INFORMATION REQUIRED IN THE SECTION 10(a) PROSPECTUS**

Omitted in accordance with Rule 428 under the Securities Act of 1933, as amended and the Introductory Note to Part I of Form S-8.

**PART II**

**Item 3. Incorporation of Documents by Reference.**

The following documents, which have been filed by the Registrant with the Commission, are incorporated into this Registration Statement by reference:

- (a) The Registrant's Annual Report on Form 10-K for the year ended December 31, 2004, filed with the Commission on March 16, 2005, as amended by the Annual Report on Form 10-K/A filed on April 12, 2005;
- (b) The Registrant's Report on Form 10-Q for the quarter ended March 31, 2005, filed with the Commission on May 10, 2005;
- (c) The Registrant's Current Report on Form 8-K, filed with the Commission on June 23, 2005;
- (d) The Registrant's Current Report on Form 8-K, filed with the Commission on May 25, 2005;
- (e) The Registrant's Current Report on Form 8-K, filed with the Commission on May 19, 2005;
- (f) The Registrant's Current Report on Form 8-K, filed with the Commission on March 3, 2005;
- (g) All other reports filed pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), since the end of the fiscal year covered by the Form 10-K referred to in (a) above; and
- (h) The description of the Common Stock set forth under the heading "Item 1. Description of Registrant's Securities to be Registered" in the Registrant's Registration Statement on Form 8-A (File No. 001-15911), filed with the Commission on May 26, 2000 under Section 12(g) of the Exchange Act, together with any amendment or report filed with the Commission for the purpose of updating such description.

All documents subsequently filed by the Registrant with the Commission pursuant to Sections 13(a), 13(c), 14 and 15(d) of the Exchange Act, prior to the filing of a post-effective amendment which indicates that all securities offered have been sold or which deregisters all securities then remaining unsold, shall be deemed to be incorporated by reference into this Registration Statement and to be a part of this Registration Statement from the date of filing of such documents. Any statement contained herein or in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this Registration Statement to the extent that a statement contained herein or in any other subsequently filed document that also is or is deemed to be incorporated herein by reference modifies or supersedes such earlier statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Registration Statement.

**Item 4. Description of Securities.**

Not Applicable.

**Item 5. Interests of Named Experts and Counsel.**

Not Applicable.

**Item 6. Indemnification of Directors and Officers.**

The Registrant is organized under the laws of the State of Delaware. The Registrant's Certificate of Incorporation provides that the Registrant shall indemnify its current and former directors and officers, and may indemnify its current and former employees and agents, against any and all liabilities and expenses incurred in connection with their services in those capacities to the maximum extent permitted by Delaware law.

The Delaware General Corporation Law (the "DGCL") provides that a Delaware corporation has the power generally to indemnify its current and former directors, officers, employees and other agents (each, a "Corporate Agent") against expenses and liabilities (including amounts paid in settlement) in connection with any proceeding involving such person by reason of his being a Corporate Agent, other than a proceeding by or in the right of the corporation, if such person acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation and, with respect to any criminal proceeding, such person had no reasonable cause to believe his conduct was unlawful.

In the case of an action brought by or in the right of the corporation, indemnification of a Corporate Agent is permitted if such person acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation. However, no indemnification is permitted in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the corporation, unless and only to the extent that the court in which such proceeding was brought shall determine upon application that despite the adjudication of liability, but in view of all the circumstances of the case, such person is fairly and reasonably entitled to such indemnification.

To the extent that a Corporate Agent has been successful on the merits or otherwise in the defense of such proceeding, whether or not by or in the right of the corporation, or in the defense of any claim, issue or matter therein, the corporation is required to indemnify such person for expenses in connection therewith. Under the DGCL, the corporation may advance expenses incurred by a Corporate Agent in connection with a proceeding, provided that the Corporate Agent undertakes to repay such amount if it shall ultimately be determined that such person is not entitled to indemnification. The Registrant's Certificate of Incorporation requires the Registrant to advance expenses to any person entitled to indemnification, provided that such person undertakes to repay the advancement if it is determined in a final judicial decision from which there is no appeal that such person is not entitled to indemnification.

The power to indemnify and advance the expenses under the DGCL does not exclude other rights to which a Corporate Agent may be entitled to under the Certificate of Incorporation, by laws, agreement, vote of stockholders or disinterested directors or otherwise.

The Registrant's Certificate of Incorporation permits the Registrant to secure insurance on behalf of directors, officers, employees and agents of the Registrant for any expense, liability or loss incurred in such capacities, regardless of whether the Certificate of Incorporation or Delaware law would permit indemnification against such expense, liability or loss.

The purpose of these provisions is to assist the Registrant in retaining qualified individuals to serve as its directors, officers, employees and agents by limiting their exposure to personal liability for serving as such.

**Item 7. Exemption from Registration Claimed.**

Not applicable.

**Item 8. Exhibits.**

<u>Number</u>	<u>Description</u>
4.1	Certificate of Incorporation of Celsion Corporation, as amended (compiled), incorporated herein by reference to Exhibit 3.1 to the Quarterly Report on Form 10-Q of Celsion Corporation for the Quarter Ended June 30, 2004.
4.2	Certificate of Designations of Series C Junior Participating Preferred Stock of Celsion Corporation, incorporated herein by reference to Exhibit 4.4 to Celsion Corporation's Registration Statement on Form S-3 (File No. 333-100638).
4.3	Bylaws of Celsion Corporation, as amended (compiled), incorporated herein by reference to Exhibit 3.2 to the Quarterly Report on Form 10-Q of Celsion Corporation for the Quarter Ended June 30, 2004.
4.4	Rights Agreement between Celsion Corporation and American Stock Transfer & Trust Company dated as of August 15, 2002, incorporated herein by reference to Exhibit 99.1 to Celsion Corporation's Current Report on Form 8-K filed August 21, 2002.
4.5	Amendment No. 1 to Rights Agreement between Celsion Corporation and American Stock Transfer & Trust Company adopted January 16, 2003, incorporated herein by reference to Exhibit 4.1 to Celsion Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2004.
5*	Opinion of Venable LLP re: Legality.
10.1	Employment Agreement effective July 29, 2005, between Celsion Corporation and Lawrence Olanoff, Md., Ph.D., incorporated herein by reference to Exhibit 99.1 to the Current Report on Form 8-K of Celsion Corporation filed May 19, 2005.
10.2*	Stock Option Grant Agreement effective July 29, 2005, between Celsion Corporation and Lawrence Olanoff, M.D., Ph.D.
23.1*	Consent of Venable LLP (included in Exhibit 5).
23.2*	Consent of Stegman & Company, Independent Public Accountants to Celsion Corporation.
24*	Powers of Attorney (included in Signature Page).

\* Filed herewith.

**Item 9. Undertakings.**

(A) The undersigned registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this Registration Statement:

(i) To include any prospectus required by Section 10(a)(3) of the Securities Act of 1933;

(ii) To reflect in the prospectus any facts or events arising after the effective date of the Registration Statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the Registration Statement;

(iii) To include any material information with respect to the plan of distribution not previously disclosed in this Registration Statement or any material change to such information in the Registration Statement;

*provided, however*, that paragraphs A(1)(i) and A(1)(ii) do not apply if the information required to be included in a post-effective amendment by those paragraphs is contained in periodic reports filed with or furnished to the Commission by the registrant pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934 that are incorporated by reference in this Registration Statement.

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment to this Registration Statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(B) The undersigned registrant hereby undertakes that, for purposes of determining any liability under the Securities Act of 1933, each filing of the registrant's annual report pursuant to Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 that is incorporated by reference in the Registration Statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof.

(C) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

## SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-8 and has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in Columbia, Maryland, on the 29<sup>th</sup> day of July, 2005.

CELSION CORPORATION

By: /s/ Lawrence Olanoff  
Lawrence Olanoff  
President and Chief Executive Officer

## POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below hereby constitutes and appoints Gary W. Pace and Kris Venkat, and each of them, as his true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him and in his name, place, and stead, in any and all capacities, to sign any and all amendments (including post-effective amendments) to this Registration Statement, or any related Registration Statement that is to be effective upon filing pursuant to Rule 462(b) under the Securities Act of 1933, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their, or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ LAWRENCE OLANOFF</u> Lawrence Olanoff	President and Chief Executive Officer (Principal Executive Officer)	July 29, 2005
<u>/s/ ANTHONY P. DEASEY</u> Anthony P. Deasey	Executive Vice President, Chief Operating Officer and Chief Financial Officer (Principal Financial and Accounting Officer)	July 29, 2005
<u>/s/ MAX E. LINK</u> Max E. Link	Director (Chairman of the Board of Directors)	July 29, 2005
<u>/s/ AUGUSTINE Y. CHEUNG</u> Augustine Y. Cheung	Director	July 29, 2005
<u>/s/ CLAUDE TIHON</u> Claude Tihon	Director	July 29, 2005
<u>Gary W. Pace</u>	Director	
<u>/s/ KRIS VENKAT</u> Kris Venkat	Director	July 29, 2005
<u>/s/ GREGORY WEAVER</u> Gregory Weaver	Director	July 29, 2005



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24*	Powers of Attorney (included in Signature Page).

\* Filed herewith.

VENABLE LLP  
575 7<sup>th</sup> Street, N.W.  
Washington, DC 20005  
(202) 344-4000

July 29, 2005

Celsion Corporation  
10220-L Old Columbia Road  
Columbia, Maryland 21046

Re: Registration Statement on Form S-8 for Shares of Common Stock

Ladies and Gentlemen:

We have acted as counsel to Celsion Corporation, a Delaware corporation (the "Corporation"), in connection with a registration statement on Form S-8 (the "Registration Statement") filed with the Securities and Exchange Commission (the "Commission") pertaining to the registration of up to 6,440,000 shares (the "Shares") of its common stock, \$0.01 par value per share (the "Common Stock"), for issuance and sale pursuant to that certain Employment Agreement effective July 29, 2005, between Celsion Corporation and Lawrence Olanoff, M.D., Ph.D. (the "Employment Agreement") and that certain related Stock Option Grant Agreement effective July 29, 2005, between Celsion Corporation and Lawrence Olanoff, M.D., Ph.D. (collectively, with the Employment Agreement, the "Plan").

We have considered such questions of law as we have deemed necessary or appropriate as a basis for the opinion set forth below and we have examined, or are otherwise familiar with, originals or copies, identified to our satisfaction, of such documents, corporate records and other instruments as we have deemed necessary or appropriate for purposes of this opinion including, but not limited to, the following: (i) the Registration Statement; (ii) the Certificate of Incorporation and the Bylaws of the Corporation, in each case as amended and as currently in effect; (iii) the Plan; (iv) certain resolutions of the Board of Directors of the Corporation relating to the approval of the Plan, the issuance of the Shares and the other transactions contemplated by the Registration Statement; and (v) a Certificate of Good Standing from the Secretary of State of the State of Delaware. We have assumed, without independent verification, the legal capacity of all natural persons, the genuineness of signatures, the authenticity of documents submitted to us as originals, the conformity to original documents of all documents submitted to us as copies and the authenticity of the originals of such copies. As to any facts material to this opinion that we did not independently establish or verify, we have relied upon statements and representations of officers and other representatives of the Corporation.

We have also assumed that the Corporation shall have sufficient authorized and unissued shares of Common Stock available at the time of each issuance of Shares and that the relevant

provisions of the Certificate of Incorporation and Bylaws of the Corporation and the Delaware General Corporation Law (the "DGCL") and the Delaware State Constitution (the "Delaware Constitution") in effect at the time of issuance of any of the Shares will not differ in any relevant respect from the analogous provisions of the Certificate of Incorporation and Bylaws of the Company and the DGCL and Delaware Constitution in effect as of the date of this opinion and that no additional relevant provisions shall have been added subsequent to the date hereof.

Based on and subject to the foregoing, we are of the opinion that the Shares have been duly authorized for issuance and when issued, sold and paid for and delivered upon receipt by the Corporation of consideration constituting lawful consideration under Delaware law in accordance with the terms of the Plan and as contemplated in the Registration Statement, will have been validly issued and will be fully paid and non-assessable shares of Common Stock of the Corporation under the laws of the State of Delaware.

This letter expresses our opinion with respect to the DGCL (without regard to the principles of conflict of laws thereof) governing matters such as the authorization and issuance of stock, as such laws are in effect as of the date hereof, as well as the pertinent provisions of the Delaware Constitution as currently in effect, and currently reported judicial decisions interpreting such laws, subject to the facts bearing upon this opinion as they currently exist. Our opinion is based upon and limited to the applicable laws in effect as of the date hereof and we assume no obligation to revise, supplement or update this opinion in the event of future changes in the DGCL, the Delaware Constitution or the interpretation thereof, or in such facts. This opinion does not extend to the securities or "blue sky" laws of any jurisdiction, to federal securities laws, to the laws of contract or to any other laws of any other jurisdiction or the rules and regulations of any stock exchange or of any other regulatory body, and we do not express any opinion as to the effect of any other laws, rules or regulations on the opinion stated herein.

We hereby consent to the use and filing of this opinion as an exhibit to the Registration Statement. By giving the foregoing consent, we do not admit that we come within the category of persons whose consent is required under Section 7 of the Securities Act of 1933, or the Rules and Regulations of the Commission thereunder. This opinion letter and the opinion expressed herein are being furnished to you solely for submission to the Commission as an exhibit to the Registration Statement and, accordingly, may not be relied upon in any other manner without, in each instance, our prior written consent.

Very truly yours,

/s/ Venable LLP

**STOCK OPTION AGREEMENT**  
**(Non-Qualified Stock Option)**

THIS STOCK OPTION AGREEMENT (this "Agreement") is made effective as of July 29, 2005 (the "Effective Date"), by and between Celsion Corporation, a Delaware corporation (the "Company") and Lawrence Olanoff, M.D., Ph.D. (the "Optionee").

WITNESSETH:

WHEREAS, the Company and the Optionee are parties to that certain Employment Agreement, effective as of July 29, 2005 (the "Employment Agreement");

WHEREAS, pursuant to Section 3(c) of the Employment Agreement, the Company has agreed to issue an option (the "Inducement Option") to purchase Six Million, Four Hundred Forty Thousand (6,440,000) shares (the "Shares") of the common stock, par value \$0.01 per share, of the Company (the "Common Stock"), subject to the terms and conditions of the Employment Agreement; and

WHEREAS, as contemplated by such Section 3(c), the Company and the Employee desire to evidence the terms and conditions relating to the grant of the Inducement Option;

NOW, THEREFORE, in consideration of the foregoing and other good and valuable consideration the receipt and sufficiency of which is acknowledged by each of the parties hereto, such parties, intending legally to be bound, hereby agree as follows:

1. **Defined Terms.** When used in this Agreement, the following capitalized terms have the respective meanings set forth in this Section 1:

- (a) "Administrator" means the Company's Board of Directors or the Compensation Committee of the Company's Board of Directors if the Board of Directors has delegated to the Compensation Committee as such, or a subcommittee of the Compensation Committee if so designated.
- (b) "Agreement" has the meaning ascribed thereto in the Introductory Paragraph of this Agreement.
- (c) "Applicable Laws" means the statutes, laws, ordinances, including the rules and regulations promulgated thereunder, governing the administration of stock options under U.S. state corporate laws, U.S. federal and state securities laws, the Code and any U.S. stock exchange, market or quotation system on which the Common Stock is listed or quoted.
- (d) "Cause" has the meaning ascribed thereto in the Employment Agreement.
- (e) "Change in Control" has the meaning ascribed thereto in the Employment Agreement.
- (f) "Code" means the Internal Revenue Code of 1986, as amended, or any successor thereto, including the rules and regulations promulgated thereunder as in effect from time to time.
- (g) "Common Stock" has the meaning ascribed thereto in the Recitals to this Agreement

- (h) "Company" has the meaning ascribed thereto in the Introductory Paragraph of this Agreement.
- (f) "Disability" has the meaning ascribed thereto in the Employment Agreement.
- (g) "Effective Date" has the meaning ascribed thereto in the Introductory Paragraph to this Agreement.
- (h) "Employment Agreement" has the meaning ascribed thereto in the Recitals to this Agreement.
- (i) "Fair Market Value" means, on a given day, the closing sale price for the Common Stock as reported on the principal securities exchange, market or quotation system on which the Common Stock may be listed or quoted on such date or, if no such sale occurred on that date, then for the next preceding date on which a sale was made. If the Common Stock should not be listed or quoted on a securities exchange, market or quotation system, Fair Market Value shall be determined in good faith by the Board of Directors of the Company.
- (j) "Inducement Option" has the meaning ascribed thereto in the Recitals to this Agreement.
- (k) "Installment" has the meaning ascribed thereto in Section 3(b) of this Agreement.
- (l) "Optionee" has the meaning ascribed thereto in the Introductory Paragraph of this Agreement.
- (m) "Option Price" has the meaning ascribed thereto in Section 3(a) of this Agreement.
- (n) "Option Term" has the meaning ascribed thereto in Section 3(b) of this Agreement.
- (o) "Shares" has the meaning ascribed thereto in the Recitals to this Agreement.
- (p) "Vested Portion" has the meaning ascribed thereto in Section 3(b) of this Agreement.

2. **Grant and Nature.** Subject to the terms and conditions hereof and of the Employment Agreement including, without limitation, adjustment pursuant to Section 4 of this Agreement, the Company hereby grants to the Optionee the Inducement Option to purchase the Shares, consisting of Six Million Four Hundred Forty Thousand (6,440,000) shares of Common Stock. The Inducement Option is intended to be a nonqualified stock option, and is not intended to qualify as an incentive stock option under Section 422 of the Code.

3. **Terms and Conditions.**

(a) **Option Price.** The purchase price (the "Option Price") to be paid by the Optionee to the Company upon the exercise of the Inducement Option shall be the closing price of the Common Stock on the American Stock Exchange on the Effective Date, subject to adjustment as provided in Section 4 of this Agreement.

(b) **Vesting.**

(i) The Inducement Option shall vest and become exercisable in four (4) equal installments of the Inducement Option to purchase 1,610,000 Shares on the first, second,

third and fourth anniversaries of the Effective Date (each, an "Installment") subject to accelerated vesting and forfeiture as otherwise provided herein, *provided* that, if the Optionee's employment is terminated by the Company prior to the first anniversary of the Effective Date other than pursuant to Section 6 of the Employment Agreement (death, Disability or termination for "Cause"), the first installment of Inducement Option shall vest on the date of such termination and the remainder of the Inducement Option shall not vest and shall be forfeited and *further provided* that, if the Optionee is not employed by the Company on the second, third or fourth anniversary of the Effective Date, the installments vesting on and after any such anniversary shall not vest and the Inducement Option included therein shall be forfeited. The portion of the Inducement Option which has become vested and exercisable pursuant to this Section 3 is hereinafter referred to as the "Vested Portion." The Inducement Option shall be exercisable, once vested, for a period ending on the tenth anniversary of the Effective Date (the "Option Term"), subject to earlier termination as provided herein.

(ii) In the event of the death of the Optionee, any portion of the Inducement Option that is vested and fully exercisable at the time of death shall remain fully exercisable, by the Optionee's legal representatives, for a period of one hundred eighty (180) days from the date of death, at which time any Vested Portion of the Inducement Option not exercised automatically shall be forfeited. Any portion of the Inducement Option that has not vested prior to the date of death shall be forfeited.

(iii) In the event of the physical or mental Disability of the Optionee, as defined in the Employment Agreement, any portion of the Inducement Option that is vested and fully exercisable at the time of Disability shall remain fully exercisable, by the Optionee or his legal representatives, should he have such, for a period of one hundred eighty (180) days from the date of Disability, at which time any Vested Portion of the Inducement Option not exercised automatically shall be forfeited. Any portion of the Inducement Option that has not vested prior to the date of Disability shall be forfeited.

(iv) In the event that the Optionee's employment with the Company is terminated for "Cause" as defined in the Employment Agreement, or that the Optionee voluntarily terminates his employment other than pursuant to Section 7 or Section 8 of the Employment Agreement, except as otherwise provided in subsection (i) of this Section 3(b), any portion of the Inducement Option that is vested and fully exercisable at the time of such termination may be exercised by the Optionee for a period of ninety (90) days after the date of termination, at which time any Vested Portion of the Inducement Option not exercised automatically shall be forfeited. Any portion of the Inducement Option that has not vested prior to the date of termination shall be forfeited.

(v) In the event that the Optionee's employment with the Company is terminated by the Company other than pursuant to Section 6 of the Employment Agreement (death, Disability, or "Cause") or is terminated by the Optionee pursuant to Section 7 of the Employment Agreement (for a material breach by the Company), and such termination does not occur within two (2) years following a Change in Control, any portion of the Inducement Option that is vested and fully exercisable at the time of termination shall remain fully exercisable for a period of one hundred eighty (180) days after the date of termination, at which time any Vested Portion of the Inducement Option not exercised automatically shall be forfeited. Any portion of the Inducement Option that has not vested prior to the date of termination shall be forfeited.

(vi) In the event that the Optionee's employment with the Company is terminated by the Company other than pursuant to Section 6 of the Employment Agreement (death, Disability or "Cause") or is terminated by the Optionee pursuant to Section 7 (for a material breach by the Company) or Section 8 (following a Change in Control) and such termination occurs within two (2) years following a Change in Control, any portion of the Inducement Option not vested shall vest as of immediately prior to the effectiveness of such Change in Control and shall become and remain fully exercisable, along with any portion theretofore vested, through the Option Term and otherwise in accordance with the respective original terms, as if no Change in Control had occurred.

(c) **Effect on Employment Rights.** The grant of the Inducement Option neither confers upon the Optionee any right to continue in the employment of the Company nor, subject to the provisions of the Employment Agreement, limits in any way the right of the Company to terminate the employment of the Optionee at any time.

(d) **Method of Exercise and Payment.** At any time prior to the expiration thereof in accordance with the terms of this Agreement, the Optionee may exercise all or a portion of the Vested Portion of the Inducement Option by delivering written notice of exercise to the Company, together with payment in full for the Shares being acquired, in an amount equal to the product of the Option Price multiplied by the number of Shares to be acquired. Such payment may be made (i) by delivery to the Company of cash or a check to the order of the Company in an amount equal to the purchase price of such Shares, (ii) subject to the consent of the Company, by delivery to the Company of shares of Common Stock of the Company owned by the Optionee for a period of at least six months prior to the exercise date having a Fair Market Value, on the exercise date, equal in amount to the purchase price of such Shares, (iii) by any other means which the Board of Directors determines are appropriate and consistent with Applicable Laws (including, without limitation, the provisions of Rule 16b-3 under the Securities Exchange Act of 1934 and Regulation T promulgated by the Federal Reserve Board), or (iv) by any combination of such methods of payment.

(e) **Tax Withholding.** The Company shall be entitled to withhold (or secure payment from the Optionee in lieu of withholding) the amount of any withholding or other payment required under the tax withholding provisions of the Code, any applicable jurisdiction's income tax act or any other applicable law with respect to any Shares issuable under the exercised portion of the Inducement Option.

#### 4. **Adjustments in and Changes to the Shares.**

(a) **General.** If the Company shall at any time after the date hereof (i) declare a dividend on its Common Stock payable in shares of its capital stock (of any class), (ii) subdivide its outstanding shares of Common Stock, (iii) combine its outstanding shares of Common Stock into a smaller number of shares, or (iv) issue any shares of its capital stock in connection with a consolidation or merger in which it is the continuing corporation, the Option Price in effect on the record date for that dividend, or the effective date of that subdivision, combination or merger, and/or the number and kind of shares of capital stock on that date subject to the Inducement Option shall be proportionately adjusted so that the Optionee shall be entitled to receive the aggregate number and kind of shares of capital stock which, if the Inducement Option had been exercised immediately prior to that date, the Optionee would have owned and been entitled to receive by virtue of that subdivision, combination or merger. The foregoing adjustment shall be made successively whenever any event listed above shall occur.

(b) **No Restrictions on Company.** The grant of the Inducement Option alone shall not affect in any way the right of the Company to adjust, reclassify, reorganize, or otherwise change its capital or business structure or to merge, consolidate, dissolve, liquidate or sell or transfer all or any part of its business or assets.

5. **Non-Assignability.** Unless otherwise permitted by the Administrator, the Inducement Option shall not be assignable or otherwise transferable by the Optionee except by will or by the laws of descent and distribution. The Inducement Option may not be exercised during the lifetime of the Optionee except by him, his guardian or legal representative.

## 6. Restrictions on Transfers of Shares.

(a) **Initial Issuance.** Anything contained in this Agreement or in the Employment Agreement notwithstanding, the Company may postpone the issuance and delivery of any Shares upon any exercise of the Inducement Option in whole or in part until completion of any stock exchange or market listing or registration or other qualification of such Shares under any state or federal law, rule or regulation as the Company may consider appropriate; and may require the Optionee, when exercising the Inducement Option, to make such representations and furnish such information as the Company may consider appropriate in connection with the issuance of the Shares in compliance with applicable legal requirements.

(b) **Post-Issuance Transfers.** Shares issued and delivered upon exercise of the Inducement Option shall be subject to such restrictions on trading, including appropriate legending of certificates to that effect, as the Company, in its discretion, shall determine are necessary to satisfy applicable legal requirements and obligations.

## 7. Conditions Upon Issuance of Shares.

(a) **Legal Compliance.** Shares shall not be issued pursuant to the exercise of the Inducement Option unless the exercise of such Option and the issuance and delivery of such Shares shall comply with Applicable Laws and shall be further subject to the approval of counsel for the Company with respect to such compliance.

(b) **Investment Representations.** As a condition to the exercise of the Inducement Option, the Administrator may require the person exercising the Inducement Option to represent and warrant at the time of any such exercise that the Shares issuable upon such exercise are being purchased only for investment and without any present intention to sell or distribute such Shares if, in the opinion of counsel for the Company, such a representation is necessary.

8. **Rights of Optionee.** The Optionee shall have no rights as a stockholder of the Company with respect to any of the Shares until (a) the Optionee has given written notice of exercise of the Inducement Option, (b) the Optionee has paid the aggregate Option Price in full for such Shares and, if applicable, satisfied any other conditions imposed by the Company or Administrator and (c) the date of issuance of a certificate to the Optionee evidencing such Shares.

9. **Governing Law.** This Agreement shall be governed by and construed in accordance with the laws of the State of Maryland without regard to the principles of conflicts of laws thereof.

10. **Rights and Remedies Cumulative.** All rights and remedies of the Company and of the Optionee enumerated in this Agreement shall be cumulative and, except as expressly provided otherwise in this Agreement, none shall exclude any other rights or remedies allowed by law or in equity, and each of said rights or remedies may be exercised and enforced concurrently.

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



If to the Company:

Celsion Corporation  
10220-L Old Columbia Road  
Columbia, Maryland 21046  
Attention: Chairman of the Compensation Committee  
Telephone: (410) 290-5390  
Fax: (410) 290-5394

If to the Optionee:

Lawrence Olanoff, M.D., Ph.D.  
9 Rippling Brook Way  
Randolph, NJ 07869  
Telephone: (973) 361-5226  
Fax: (973) 328-4254

12. **Severability.** In the event that any one or more of the provisions contained in this Agreement, or the application thereof to any person(s) or under any circumstance(s), shall, for any reason, be found by a court or regulatory agency or tribunal of competent jurisdiction to be invalid, illegal or unenforceable, such court, agency or tribunal shall have the power, and hereby is directed, to substitute for or limit such provision(s) in order as closely as possible to effectuate the original intent of the parties with respect to such invalid, illegal or unenforceable provision(s) and this Agreement generally and so to enforce such substituted provision(s). Subject to the foregoing, the invalidity, illegality or unenforceability of any one or more of the provisions contained herein shall not affect the validity of any other provision of this Agreement.

13. **Entire Agreement.** This Agreement and the Employment Agreement constitute the entire agreement between the Company and the Optionee in respect of the subject matter of this Agreement and supersede any and all prior agreements, understandings, negotiations and discussions, whether written or oral, between the parties with respect to such subject matter. In the event of any conflict between the provisions of this Agreement and the terms of the Employment Agreement, the terms of this Agreement will control.

14. **Amendment; Waiver.** This Agreement may be amended, modified, superseded, canceled, renewed or extended, and the terms or covenants hereof may be waived, only by a written instrument executed by the parties hereto, or in the case of a waiver, by the party waiving compliance. The failure of a party at any time or times to require performance of any provision hereof shall in no manner affect the right at a later time to enforce the same. No officer, employee or other servant or agent of the Company, and no servant or agent of the Optionee is authorized to make any representation, warranty or other promise not contained in this Agreement. No waiver by a party of the breach of any term or covenant contained in this Agreement, whether by conduct or otherwise, or any one or more or continuing waivers of any such breach, shall constitute a waiver of the breach of any other term or covenant contained in this Agreement.

15. **Successors and Assigns.** This Agreement shall be binding upon and inure to the benefit of the legal representatives, heirs, distributees, successors and permitted assigns of the parties hereto. The Company may not assign its rights and obligations under this Agreement without the prior written consent of the Optionee, except to a successor to substantially all the Company's business that expressly assumes the Company's obligations hereunder in writing. For purposes of this Agreement, "successors" shall mean any successor, whether direct or indirect, by way of share exchange, merger, consolidation, reorganization or similar transaction, or the sale of all or substantially all of the assets of the Company.

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

17. **Gender and Number.** As the context requires, any term used herein in the singular shall extend to and include the plural, any term used in the plural shall extend to and include the singular and any term used in either gender or the neuter shall extend to and include each gender or be neutral.

18. **Counterparts.** This Agreement may be executed in counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument. Facsimile versions of original signatures of this Agreement shall be considered original signatures.

19. **Recitals.** The Recitals appearing at the beginning of this Agreement are incorporated herein by reference and made a part hereof as fully as if set forth in full herein.

20. **Advice of Counsel.** The Optionee has reviewed this Agreement in its entirety, has had an opportunity to obtain the advice of counsel prior to executing this Agreement and fully understands all provisions of this Agreement. The Optionee hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Administrator upon any questions arising under this Agreement.

[Signature Page follows.]

**IN WITNESS WHEREOF**, each of the parties has executed this Agreement effective as of the date first above written.

Celsion Corporation

By: \_\_\_\_\_

Print Name: \_\_\_\_\_

Title: \_\_\_\_\_

\_\_\_\_\_  
Lawrence Olanoff, M.D., Ph.D.

## CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statement on Form S-8 of Celsion Corporation (the "Company") of our report on Form 10-K dated March 10, 2005, relating to the balance sheets of the Company as of December 31, 2004 and 2003 and September 30, 2003, and the related statements of operations, changes in stockholders' equity and cash flows for the year ended December 31, 2004, the three months ended December 31, 2003 and for both fiscal years in the period ended September 30, 2003 and our report dated April 11, 2005, with respect to the Celsion Corporation management's assessment of the effectiveness of internal control over financial reporting, and the effectiveness of internal control over financial reporting, which reports are included in the Company's Form 10-K/A for the year ended December 31, 2004. We also consent to references to our firm included in the Registration Statement.

/s/ Stegman & Company

Baltimore, Maryland  
July 29, 2005