

Celsion CORP  
Form 10-K/A  
March 15, 2012

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

FORM 10-K/A  
**Amendment No. 1**

(Mark One)

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

For the fiscal year ended December 31, 2011

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  
(State or Other Jurisdiction of Incorporation or  
Organization)

52-1256615  
(I.R.S. Employer Identification No.)

997 LENOX DRIVE, SUITE 100  
LAWRENCEVILLE, NJ  
(Address of Principal Executive Offices)

08648  
(Zip Code)

(609) 896-9100  
Registrant's Telephone Number, Including Area Code

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

Title of Each Class  
COMMON STOCK, PAR VALUE \$.01 PER SHARE

Name of Each Exchange on Which Registered  
NASDAQ CAPITAL MARKET

Securities registered pursuant to Section 12(g) of the Act:

None

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Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

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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 and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files). Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large Accelerated Filer	<input type="checkbox"/>	Accelerated Filer	<input type="checkbox"/>
Non-accelerated Filer	<input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller Reporting Company	<input type="checkbox"/>

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Securities Exchange Act of 1934). Yes  No

As of June 30, 2011, the aggregate market value of the common stock held by non-affiliates of the Registrant was approximately \$39,649,964, based on the closing sale price for the Registrant's common stock on that date as reported by the NASDAQ Capital Market. For purposes of this calculation, shares of common stock held by directors and officers of the Registrant at June 30, 2011 were excluded.

As of March 14, 2012, 33,217,366 shares of the Registrant's common stock were issued and outstanding.

#### DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's definitive Proxy Statement to be filed for its 2012 Annual Meeting of Stockholders are incorporated by reference into Part III hereof. Such Proxy Statement will be filed with the Securities and Exchange Commission within 120 days of the end of the fiscal year covered by this Annual Report on Form 10-K.

## Explanatory Note

The purpose of this Amendment No. 1 to our Annual Report on Form 10-K for the year ended December 31, 2011 ("Form 10-K"), as filed with the Securities and Exchange Commission on March 15, 2012 is to correct the heading at the top of the 2011 column in the STATEMENTS OF CASH FLOWS provided in our financial statements on Page F-4. No other changes have been made to the Form 10-K other than the correction as discussed above.

CELSION CORPORATION  
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PART I

ITEM 1. BUSINESS

FORWARD-LOOKING STATEMENTS

Certain of the statements contained in this Annual Report on Form 10-K are forward-looking and constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. In addition, from time to time we may publish forward-looking statements relating to such matters as anticipated financial performance, business prospects, technological developments, new products, research and development activities and other aspects of our present and future business operations and similar matters that also constitute such forward-looking statements. These statements involve known and unknown risks, uncertainties, and other factors that may cause our or our industry's actual results, levels of activity, performance, or achievements to be materially different from any future results, levels of activity, performance, or achievements expressed or implied by such forward-looking statements. Such factors include, among other things, unforeseen changes in the course of research and development activities and in clinical trials; possible changes in cost and timing of development and testing, capital structure, and other financial items; changes in approaches to medical treatment; introduction of new products by others; possible acquisitions of other technologies, assets or businesses; possible actions by customers, suppliers, strategic partners, potential strategic partners, competitors and regulatory authorities, as well as those listed under "Risk Factors" below and elsewhere in this Annual Report on Form 10-K. In some cases, you can identify forward-looking statements by terminology such as "expect", "anticipate", "estimate", "plan", "believe" and words of similar import regarding the Company's expectations. Forward-looking statements are only predictions. Actual events or results may differ materially. Although we believe that our expectations are based on reasonable assumptions within the bounds of our knowledge of our industry, business and operations, we cannot guarantee that actual results will not differ materially from our expectations. In evaluating such forward-looking statements, you should specifically consider various factors, including the risks outlined under "Risk Factors." The discussion of risks and uncertainties set forth in this Annual Report on Form 10-K is not necessarily a complete or exhaustive list of all risks facing the Company at any particular point in time. We operate in a highly competitive, highly regulated and rapidly changing environment and our business is 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. We disclaim any obligation to revise or update any forward-looking statement that may be made from time to time by us or on our behalf.

Unless the context requires otherwise or unless otherwise noted, all references in this Annual Report on Form 10-K to "Celsion" and to the "Company". "we", "us", or "our" are to Celsion Corporation.

Trademarks

The Celsion brand and product names, including but not limited to Celsion®, contained in this document are trademarks, registered trademarks or service marks of Celsion Corporation 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.

OVERVIEW

Celsion Corporation is an innovative oncology drug development company focused on the development of treatments for those suffering with difficult to treat forms of cancer. We are working to develop and commercialize more



efficient, effective, targeted chemotherapeutic oncology drugs based on our proprietary heat-activated liposomal technology. The promise of this drug technology is to maximize efficacy while minimizing side-effects common to cancer treatments.

Our lead product ThermoDox® is being evaluated in a Phase III clinical trial for primary liver cancer (the HEAT study), a Phase II clinical trial for colorectal liver metastasis (CRLM) and a Phase II clinical trial for recurrent chest wall breast cancer. ThermoDox® is a liposomal encapsulation of doxorubicin, an approved and frequently used oncology drug for the treatment of a wide range of cancers. Localized heat at mild hyperthermia temperatures (greater than 40 degrees Celsius) releases the encapsulated doxorubicin from the liposome enabling high concentrations of doxorubicin to be deposited preferentially in and around the targeted tumor.

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The U.S. Food and Drug Administration (FDA) has granted our pivotal Phase III HEAT study for ThermoDox®, in combination with radiofrequency ablation a Special Protocol Assessment and has designated it as a Fast Track Development Program. We have received written guidance from the FDA stating that, assuming the results of our ongoing studies are adequate, we may submit our New Drug Application (NDA) for ThermoDox® pursuant to Section 505(b)(2) of the Federal Food, Drug and Cosmetic Act. A 505(b)(2) NDA provides that some of the information from the reports required for marketing approval may come from studies that the applicant does not own or for which the applicant does not have a legal right of reference and permits a manufacturer to obtain marketing approval for a drug without needing to conduct or obtain a right of reference for all of the required studies. The availability of Section 505(b)(2) and the designation of ThermoDox® as a Fast Track Development Program may provide us with an expedited pathway to approval. There can be no assurance, however, that the results of our ongoing studies will be adequate to obtain approval of ThermoDox® under Section 505(b)(2). Drug research and development is an inherently uncertain process and there is a high risk of failure at every stage prior to approval and the timing and the outcome of clinical results is extremely difficult to predict. Clinical development successes and failures can have a disproportionate positive or negative impact on our scientific and medical prospects, financial prospects, financial condition, and market value.

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

We have also demonstrated the feasibility for a product pipeline of cancer drugs that employ our heat activated liposomal technology in combination with known chemotherapeutics including docetaxel and carboplatin. We believe that our technology can improve efficacy and safety of anticancer agents whose mechanism of action and safety profile are well understood by the medical and regulatory communities. Our approach provides a comparatively cost effective, low risk approval pathway. An element of our business strategy is to pursue, as resources permit, the research and development of a range of product candidates for a variety of indications. This is intended to allow us to diversify the risks associated with our research and development expenditures. To the extent we are unable to maintain a broad range of product candidates, our dependence on the success of one or a few product candidates would increase. Additionally, we had formed a joint research agreement with Philips Healthcare, a division of Royal Philips Electronics to evaluate the combination of Philips' high intensity focused ultrasound (HIFU) with ThermoDox® to determine the potential of this combination to treat a broad range of cancers. For certain markets, we may seek licensing partners to share in the development and commercialization costs. We will also evaluate licensing cancer products from third parties for cancer treatments to expand our product pipeline.

In 2005, the Company made a strategic decision to divest its medical device business. The Company sold this medical device business to Boston Scientific Corporation (Boston Scientific) in 2007 for net aggregate payments of \$43 million, receiving \$13 million in 2007 and \$15 million in each of 2008 and 2009. Since this divestiture, we have dedicated our efforts and resources to the development and commercialization of innovative cancer drugs including tumor-targeting treatments using focused heat energy in combination with heat-activated drug delivery systems. To support our research and development, we have raised gross proceeds of approximately \$67.6 million in equity

financings in the years 2009 through 2011.

On December 5, 2008, we entered into a development, product supply and commercialization agreement with Yakult Honsha Co. (the Yakult Agreement) under which Yakult was granted the exclusive right to commercialize and market ThermoDox® for the Japanese market. We were paid a \$2.5 million up-front licensing fee and may receive additional payments from Yakult upon receipt of marketing approval by the Japanese Ministry of Health, Labor and Welfare as well as upon the achievement of certain levels of sales and approval for new indications. Under the Yakult Agreement, we will receive double digit escalating royalties on the sale of ThermoDox® in Japan, when and if any such sales occur and we also will be the exclusive supplier of ThermoDox® to Yakult. Concurrent with a convertible preferred stock equity financing in January 2011, we amended the Yakult Agreement to provide for up to \$4.0 million in an accelerated partial payment to us of a future drug approval milestone. The terms of the Yakult Agreement provided for the payment to us of \$2.0 million upon the closing of the preferred equity financing and an additional \$2.0 million conditioned upon the resumption of enrollment of Japanese patients in the Japan cohort of the HEAT Study. In consideration of these accelerated milestone payments from Yakult, we have agreed to reduce future drug approval milestone payments by approximately forty percent (40%). All other milestone payments are unaffected.

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On July 11, 2011, after reviewing data from 535 randomized patients enrolled in our pivotal Phase III HEAT study, the Data Monitoring Committee (DMC) for this trial unanimously recommended that the trial continue to enroll patients at all clinical sites except those in Japan with the goal of reaching enrollment of 600 patients, as required by the study protocol. The DMC maintained its recommendation to continue withholding enrollment of additional patients in Japan pending certain guidance from the Pharmaceuticals and Medical Devices Agency (PMDA) in Japan. The recommendation followed a review of safety data from 18 Japanese patients enrolled in the study, when compared to patient data from the rest of the Phase III trial. As a part of its commitment to the PMDA, the DMC independently assesses patients randomized at Japanese sites. The DMC continues to review safety and efficacy data in accordance with the PMDA in Japan and the DMC’s charter, however there can be no assurance that the DMC will permit resumption of patient enrollment in Japan or at all nor can there be any assurance that we will receive the second \$2 million payment from Yakult pursuant to the amended Yakult Agreement.

On August 3, 2011, we announced that we had reached our preplanned enrollment objective of 600 patients in the pivotal Phase III HEAT study. The target enrollment figure is designed to ensure that the study’s primary end point, progression-free survival, can be achieved with adequate statistical power, and is one of two triggers for an interim efficacy analysis by the study’s DMC. The second trigger was the occurrence of 190 progression-free survival (PFS) events in the study population. We met the second trigger of 190 PFS events in the third quarter of 2011 which allowed us to conduct a planned interim analysis in the fourth quarter of 2011. On November 28, 2011, we announced that the independent DMC for the HEAT Study completed a pre-planned interim analysis for safety, efficacy and futility and unanimously recommended that the study continue to its final analysis as planned. The DMC evaluated data from 613 patients in its review, which was conducted following realization of 219 PFS events within the study population. A total of 380 events of progression are required to reach the planned final analysis of the study which we reconfirmed was projected to occur in late 2012.

Consistent with our global regulatory strategy, we are continuing to enroll patients in the HEAT Study in order to randomize at least 200 patients in the People’s Republic of China (PRC), a requirement for registrational filing in the PRC. The HEAT study has already enrolled a sufficient number tFONT> 8,735 9,471,448

Troy IDA, RB, Rensselaer Polytechnic Institute Project, Series E, 5.20%, 4/01/37

2,280 2,347,807

126,596,099

## Schedule of Investments (continued)

BlackRock MuniYield New York Quality Fund, Inc. (MYN)

(Percentages shown are based on Net Assets)

	Par		Value
	(000)		Value
<b>Municipal Bonds</b>			
<b>New York (continued)</b>			
<b>Health 10.4%</b>			
City of New York New York Health & Hospital Corp., Refunding RB, Health System, Series A, 5.00%, 2/15/30	\$ 2,200	\$	2,298,736
County of Dutchess New York Industrial Development Agency, RB, Vassar Brothers Medical Center, (AGC):			
5.50%, 4/01/30	250		265,012
5.50%, 4/01/34	490		512,310
County of Monroe New York Industrial Development Corp., RB, Rochester General Hospital Project, Series A:			
5.00%, 12/01/32	830		840,242
5.00%, 12/01/37	350		347,081
County of Monroe New York Industrial Development Corp., Refunding RB:			
Rochester General Hospital Project, Series B, 3.60%, 12/01/32	860		691,655
Unity Hospital of Rochester Project (FHA), 5.50%, 8/15/40	5,650		6,004,594
New York State Dormitory Authority, RB:			
Healthcare, Series A, 5.00%, 3/15/38	2,000		2,092,780
Hudson Valley Hospital (BHAC), 5.00%, 8/15/36	6,500		6,687,590
Montefiore Hospital (NPFGB, FHA), 5.00%, 8/01/33	1,500		1,501,320
New York & Presbyterian Hospital (AGM), 5.00%, 8/15/14 (c)	4,925		5,112,248
New York University Hospitals Center, Series A, 5.75%, 7/01/31	3,450		3,701,919
New York University Hospitals Center, Series A, 6.00%, 7/01/40	1,100		1,182,907
North Shore-Long Island Jewish Obligated Group, Series A, 5.50%, 5/01/37	2,075		2,163,831
North Shore-Long Island Jewish Obligated Group, Series C, 4.25%, 5/01/39	1,500		1,319,220
North Shore-Long Island Jewish Obligated Group, Series D, 4.25%, 5/01/39	1,750		1,587,775
	<b>Par</b>		
	<b>(000)</b>		<b>Value</b>
<b>Municipal Bonds</b>			
<b>New York (continued)</b>			
<b>Health (concluded)</b>			
New York State Dormitory Authority, Refunding RB:			
New York University Hospital Center, Series A, 5.00%, 7/01/36	\$ 1,500	\$	1,510,875
North Shore-Long Island Jewish Obligated Group, Series A, 5.00%, 5/01/32	4,000		4,090,320
North Shore-Long Island Jewish Obligated Group, Series A, 5.25%, 5/01/34	9,220		9,596,545
St. Luke s Roosevelt Hospital (FHA), 4.90%, 8/15/31	2,900		2,912,122
			54,419,082
<b>Housing 5.5%</b>			
City of New York New York Housing Development Corp., RB, M/F Housing AMT:			
Series A-1-A, 5.00%, 11/01/30	750		754,200
Series A-1-A, 5.45%, 11/01/46	1,335		1,308,407
Series C, 5.00%, 11/01/26	1,500		1,523,460
Series C, 5.05%, 11/01/36	2,000		2,012,080
Series H-1, 4.70%, 11/01/40	1,340		1,279,258
Series H-2-A, 5.20%, 11/01/35	840		837,816
Series H-2-A, 5.35%, 5/01/41	600		607,524
City of New York New York Housing Development Corp., Refunding RB, M/F Housing, Series L-2-A, 4.00%, 5/01/44	3,250		2,748,622
City of Yonkers New York Industrial Development Agency, RB, Monastery Manor Associates LP Project, AMT (SONYMA), 5.25%, 4/01/37	2,445		2,441,626
County of Monroe New York Industrial Development Agency, IDR, Southview Towers Project, AMT, (SONYMA):			
6.13%, 2/01/20	705		706,939
6.25%, 2/01/31	1,125		1,126,215

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New York State HFA, RB, St. Philip s Housing, Series A, AMT (Fannie Mae), 4.65%, 11/15/38	1,500	1,433,445
State of New York Mortgage Agency, RB, 49th Series, 4.00%, 10/01/43	5,500	4,658,390

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BLACKROCK MUNIYIELD NEW YORK QUALITY FUND, INC.

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New York State Thruway Authority, Refunding RB:

General, Series F (AMBAC), 5.00%, 1/01/30	6,000	6,203,580
General, Series G (AGM), 4.75%, 1/01/29	7,250	7,544,567
General, Series G (AGM), 4.75%, 1/01/30	9,000	9,348,570
General, Series G (AGM), 5.00%, 1/01/32	1,030	1,073,734

BLACKROCK MUNIYIELD NEW YORK QUALITY FUND, INC.

OCTOBER 31, 2013

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## Schedule of Investments (continued)

BlackRock MuniYield New York Quality Fund, Inc. (MYN)

(Percentages shown are based on Net Assets)

	Par (000)	Value
<b>Municipal Bonds</b>		
<b>New York (continued)</b>		
<b>Transportation (continued)</b>		
New York State Thruway Authority, Refunding RB (concluded):		
General, Series I, 5.00%, 1/01/24	\$ 1,505	\$ 1,720,350
General, Series I, 5.00%, 1/01/37	6,500	6,710,665
General, Series I, 5.00%, 1/01/42	3,250	3,326,343
Series G (AGM), 5.00%, 1/01/30	2,000	2,086,920
Niagara Falls Bridge Commission, Refunding RB, Toll Bridge System, Series A (AGC), 4.00%, 10/01/19	1,900	2,056,826
Niagara Frontier Transportation Authority New York, RB, Buffalo Niagara International Airport, Series B (NPFGC), 5.50%, 4/01/19	2,705	2,725,152
Port Authority of New York & New Jersey, ARB:		
Consolidated, 163rd Series, 5.00%, 7/15/35	2,500	2,603,800
Consolidated, 37th Series, AMT (AGM), 5.13%, 7/15/30	2,500	2,538,450
JFK International Air Terminal, Special Project, Series 6, AMT (NPFGC), 5.75%, 12/01/25	3,500	3,517,325
JFK International Air Terminal, Special Project, Series 6, AMT (NPFGC), 5.75%, 12/01/22	8,160	8,241,192
Special Project, JFK International Air Terminal LLC, Series 6, AMT (NPFGC), 6.25%, 12/01/13	4,425	4,434,027
Special Project, JFK International Air Terminal LLC, Series 6, AMT (NPFGC), 6.25%, 12/01/14	7,380	7,561,917
Port Authority of New York & New Jersey, Refunding ARB, Consolidated, 177th Series, AMT:		
3.50%, 7/15/35	2,120	1,720,083
4.00%, 1/15/43	2,475	2,120,555
Triborough Bridge & Tunnel Authority, RB (c):		
Sub-Series A (NPFGC), 5.25%, 11/15/13	6,000	6,011,940
	<b>Par (000)</b>	<b>Value</b>
<b>Municipal Bonds</b>		
<b>New York (continued)</b>		
<b>Transportation (concluded)</b>		
Triborough Bridge & Tunnel Authority, RB (c) (concluded): Subordinate Bonds (AMBAC), 5.00%, 11/15/13		
	\$ 1,965	\$ 1,968,714
Triborough Bridge & Tunnel Authority, Refunding RB:		
General, Series A, 5.00%, 11/15/38	1,000	1,047,370
General, Series B, 5.00%, 11/15/31	495	536,922
Series C, 5.00%, 11/15/38	2,000	2,066,440
Series E (NPFGC), 5.25%, 11/15/23	630	632,646
Series E (NPFGC), 5.00%, 11/15/32	8,115	8,137,235
Sub-Series A, 5.00%, 11/15/28	2,500	2,740,225
Sub-Series A, 5.00%, 11/15/29	875	949,594
		122,637,804
<b>Utilities 9.4%</b>		
City of New York New York Municipal Water Finance Authority, RB, Water & Sewer System, Series B, 5.00%, 6/15/36		
	2,000	2,080,080
City of New York New York Municipal Water Finance Authority, Refunding RB:		
Series D (AGM), 5.00%, 6/15/37	9,000	9,252,180
Series DD, 5.00%, 6/15/32	6,750	7,093,035
Water & Sewer System, 2nd General Resolution, Fiscal 2010, Series FF, 5.00%, 6/15/31	1,500	1,611,390
Water & Sewer System, 2nd General Resolution, Fiscal 2011, Series BB, 5.00%, 6/15/31	1,000	1,074,260
Water & Sewer System, 2nd General Resolution, Series FF, 4.00%, 6/15/45	1,975	1,793,734
Long Island Power Authority, RB, Electric System Series A:		
(AMBAC), 5.00%, 9/01/29	7,000	7,169,540
General (AGM), 5.00%, 5/01/36	3,775	3,865,071

## Schedule of Investments (continued)

BlackRock MuniYield New York Quality Fund, Inc. (MYN)

(Percentages shown are based on Net Assets)

	Par	
	(000)	Value
<b>Municipal Bonds</b>		
<b>New York (concluded)</b>		
<b>Utilities (concluded)</b>		
Long Island Power Authority, Refunding RB:		
Electric System, Series A (AGC), 5.75%, 4/01/39	\$ 1,015	\$ 1,129,817
General, Electric System, Series A (AGC), 6.00%, 5/01/33	1,500	1,692,015
General, Series B (AGM), 5.00%, 12/01/35	4,000	4,113,560
New York State Environmental Facilities Corp., Refunding RB, New York City Municipal Water Revolving Funds Series B:		
5.00%, 6/15/36	2,100	2,218,335
5.00%, 6/15/33	1,040	1,111,469
New York State Power Authority, Refunding RB, Series A, 5.00%, 11/15/38	4,920	5,217,119
		49,421,605
<b>Total Municipal Bonds in New York</b>		671,342,158
<b>Guam 0.2%</b>		
<b>Utility 0.2%</b>		
Guam Power Authority, RB, Series A (AGM), 5.00%, 10/01/37	1,380	1,362,874
<b>Puerto Rico 0.7%</b>		
<b>Housing 0.7%</b>		
Puerto Rico Housing Finance Authority, Refunding RB, Subordinate, Capital Fund Modernization, 5.13%, 12/01/27	3,500	3,497,760
<b>Total Municipal Bonds 129.0%</b>		676,202,792
<b>Municipal Bonds Transferred to Tender Option Bond (TOB) Trusts (d)</b>		
<b>New York 33.2%</b>		
<b>County/City/Special District/School District 11.6%</b>		
City of New York New York, GO:		
Series J, 5.00%, 5/15/23	6,750	6,883,987
Sub-Series C-3 (AGC), 5.75%, 8/15/28 (e)	14,400	16,425,648
City of New York New York Transitional Finance Authority, RB, Future Tax Secured, Fiscal 2012, Sub-Series D-1, 5.00%, 11/01/38	4,125	4,355,876
	<b>Par</b>	
<b>Municipal Bonds Transferred to Tender Option Bond (TOB) Trusts (d)</b>		
<b>New York (continued)</b>	<b>(000)</b>	<b>Value</b>
<b>County/City/Special District/School District (concluded)</b>		
Hudson Yards Infrastructure Corp., RB, Senior, Series A, 5.75%, 2/15/47 (e)	\$ 9,739	\$ 10,316,662
New York Liberty Development Corp., RB, 1 World Trade Center Port Authority Construction, 5.25%, 12/15/43	18,000	18,784,620
New York Liberty Development Corp., Refunding RB, 7 World Trade Center Project, Class 1, 5.00%, 9/15/40	3,645	3,806,984
		60,573,777
<b>Education 6.4%</b>		
New York State Dormitory Authority, ERB, Series B, 5.75%, 3/15/36	7,850	8,797,573
New York State Dormitory Authority, New York University Series A, LRB, State University Dormitory Facilities:		
5.25%, 7/01/29	6,000	6,445,800
5.00%, 7/01/35	5,198	5,450,253
New York State Dormitory Authority, RB:		
5.00%, 7/01/38	6,498	6,829,517
(AMBAC), 5.00%, 7/01/37	5,707	6,017,247
		33,540,390

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**State 1.3%**

New York State Dormitory Authority, RB, Mental Health Services Facilities, Series C, AMT (AGM), 5.40%, 2/15/33	6,297	6,716,145
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**Transportation 9.7%**

Metropolitan Transportation Authority, RB, Dedicated Tax, Series A (NPFGC), 5.00%, 11/15/31	3,901	4,160,126
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New York State Thruway Authority, Refunding RB, General:

Series A, 5.00%, 3/15/31	3,940	4,245,035
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Series G (AGM), 5.00%, 1/01/32	16,000	16,679,360
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Series H (AGM, NPFGC), 5.00%, 1/01/37	10,000	10,348,300
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Port Authority of New York & New Jersey, ARB, Consolidated, Series 169, AMT: 5.00%, 10/15/25	7,990	8,741,053
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BLACKROCK MUNIYIELD NEW YORK QUALITY FUND, INC. (MYN)

OCTOBER 31, 2013

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## Schedule of Investments (continued)

BlackRock MuniYield New York Quality Fund, Inc. (MYN)

(Percentages shown are based on Net Assets)

	Par	
	(000)	Value
<b>Municipal Bonds Transferred to Tender Option Bond (TOB) Trusts (d)</b>		
<b>New York (concluded)</b>		
<b>Transportation (concluded)</b>		
Port Authority of New York & New Jersey, ARB, Consolidated, Series 169, AMT (concluded): 5.00%, 10/15/26	\$ 6,000	\$ 6,467,580
		50,641,454
<b>Utilities 4.2%</b>		
City of New York New York Municipal Water Finance Authority, RB, Water & Sewer System, Fiscal 2009, Series A, 5.75%, 6/15/40	4,094	4,553,553
City of New York New York Municipal Water Finance Authority, Refunding RB, Water & Sewer System:		
2nd General Resolution, Fiscal 2011, Series HH, 5.00%, 6/15/32	9,900	10,557,855
2nd General Resolution, Fiscal 2012, Series BB, 5.00%, 6/15/44	3,991	4,133,827
Series FF-2, 5.50%, 6/15/40	2,760	2,954,561
		22,199,796
<b>Total Municipal Bonds Transferred to Tender Option Bond (TOB) Trusts 33.2%</b>		173,671,562
<b>Total Long-Term Investments</b>		
<b>(Cost \$834,495,777) 162.2%</b>		849,874,354
<b>Short-Term Securities 0.9%</b>	<b>Shares</b>	<b>Value</b>
BIF New York Municipal Money Fund, 0.00% (f)(g)	4,829,985	\$ 4,829,985
<b>Total Short-Term Securities</b>		
<b>(Cost \$4,829,985) 0.9%</b>		4,829,985
<b>Total Investments</b>		
<b>(Cost \$839,325,762*) 163.1%</b>		854,704,339
<b>Other Assets Less Liabilities 1.9%</b>		9,651,881
<b>Liability for TOB Trust Certificates, Including Interest</b>		
<b>Expense and Fees Payable (17.7%)</b>		(92,538,378)
<b>VRDP Shares, at Liquidation Value (47.3%)</b>		(247,700,000)
<b>Net Assets Applicable to Common Shares 100.0%</b>		\$ 524,117,842

\* As of October 31, 2013, gross unrealized appreciation and depreciation based on cost for federal income tax purposes were as follows:

Tax cost	\$ 747,863,226
Gross unrealized appreciation	\$ 24,831,238
Gross unrealized depreciation	(10,495,880)
Net unrealized appreciation	\$ 14,335,358

## Notes to Schedule of Investments

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- (a) Variable rate security. Rate shown is as of report date.
- (b) Represents a zero-coupon bond. Rate shown reflects the current yield as of report date.
- (c) US government securities, held in escrow, are used to pay interest on this security, as well as to retire the bond in full at the date indicated, typically at a premium to par.
- (d) Represent bonds transferred to a TOB. In exchange the Fund acquired residual interest certificates. These bonds serve as collateral in a financing transaction.
- (e) All or a portion of security is subject to a recourse agreement, which may require the Fund to pay the liquidity provider in the event there is a shortfall between the TOB trust certificates and proceeds received from the sale of the security contributed to the TOB trust. In the case of a shortfall, the aggregate maximum potential amount the Fund could ultimately be required to pay under the agreements, which expire from February 15, 2017 to February 15, 2019 is \$12,782,458.

## Schedule of Investments (continued)

BlackRock MuniYield New York Quality Fund, Inc. (MYN)

(f) Investments in issuers considered to be an affiliate of the Fund during the period ended October 31, 2013, for purposes of Section 2(a)(3) of the Investment Company Act of 1940, as amended, were as follows:

Affiliate	SharesHeld		SharesHeld	
	at July 31, 2013	Net Activity	at October 31, 2013	Income
BIF New York Municipal Money Fund	20,993,749	(16,163,764)	4,829,985	\$ 2

(g) Represents the current yield as of report date.

## Portfolio Abbreviations

To simplify the listings of portfolio holdings in the Schedule of Investments, the names and descriptions of many of the securities have been abbreviated according to the following list:

<b>AGC</b>	Assured Guarantee Corp.	<b>GO</b>	General Obligation Bonds
<b>AGM</b>	Assured Guaranty Municipal Corp.	<b>HFA</b>	Housing Finance Agency
<b>AMBAC</b>	American Municipal Bond Assurance Corp.	<b>IBC</b>	Insured Bond Certificates
<b>AMT</b>	Alternative Minimum Tax (subject to)	<b>IDA</b>	Industrial Development Authority
<b>ARB</b>	Airport Revenue Bonds	<b>IDRB</b>	Industrial Development Revenue Bonds
<b>BARB</b>	Building Aid Revenue Bonds	<b>LRB</b>	Lease Revenue Bonds
<b>BHAC</b>	Berkshire Hathaway Assurance Corp.	<b>M/F</b>	Multi-Family
<b>BOCES</b>	Board of Cooperative Educational Services	<b>NPFGC</b>	National Public Finance Guarantee Corp.
<b>CAB</b>	Capital Appreciation Bonds	<b>PILOT</b>	Payment in Lieu of Taxes
<b>ERB</b>	Education Revenue Bonds	<b>RB</b>	Revenue Bonds
<b>Fannie Mae</b>	Federal National Mortgage Association	<b>SONYMA</b>	State of New York Mortgage Agency
<b>FHA</b>	Federal Housing Administration	<b>Syncora</b>	Syncora Guarantee

Financial futures contracts as of October 31, 2013 were as follows:

Contracts Sold	Issue	Exchange	Expiration	Notional Value	Unrealized Depreciation
(213)	10-Year US Treasury Note	Chicago Board of Trade	December 2013	\$ 27,127,547	\$ (16,873)

For Fund compliance purposes, the Fund's sector classifications refer to any one or more of the sector sub-classifications used by one or more widely recognized market indexes or rating group indexes, and/or as defined by Fund management. These definitions may not apply for purposes of this report, which may combine such sector sub-classifications for reporting ease.

## Schedule of Investments (continued)

BlackRock MuniYield New York Quality Fund, Inc. (MYN)

**Fair Value Measurements** Various inputs are used in determining the fair value of investments and derivative financial instruments. These inputs to valuation techniques are categorized into a disclosure hierarchy consisting of three broad levels for financial reporting purposes as follows:

**Level 1** unadjusted price quotations in active markets/exchanges for identical assets or liabilities that the Fund has the ability to access

**Level 2** other observable inputs (including, but not limited to, quoted prices for similar assets or liabilities in markets that are active, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the assets or liabilities (such as interest rates, yield curves, volatilities, prepayment speeds, loss severities, credit risks and default rates) or other market-corroborated inputs)

**Level 3** unobservable inputs based on the best information available in the circumstances, to the extent observable inputs are not available (including the Fund's own assumptions used in determining the fair value of investments and derivative financial instruments)

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3. The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the fair value hierarchy classification is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

Changes in valuation techniques may result in transfers into or out of an assigned level within the disclosure hierarchy. In accordance with the Fund's policy, transfers between different levels of the fair value disclosure hierarchy are deemed to have occurred as of the beginning of the reporting period. The categorization of a value determined for investments and derivative financial instruments is based on the pricing transparency of the investment and derivative financial instrument and is not necessarily an indication of the risks associated with investing in those securities. For information about the Fund's policy regarding valuation of investments and derivative financial instruments, please refer to the Fund's most recent financial statements as contained in its annual report.

The following tables summarize the Fund's investments and derivative financial instruments categorized in the disclosure hierarchy as of October 31, 2013:

	Level 1	Level 2	Level 3	Total
<b>Assets:</b>				
Investments:				
Long-Term Investments <sup>1</sup>		\$ 849,874,354		\$ 849,874,354
Short-Term Securities	\$ 4,829,985			4,829,985
<b>Total</b>	\$ 4,829,985	\$ 849,874,354		\$ 854,704,339

<sup>1</sup> See above Schedule of Investments for values in each sector.

	Level 1	Level 2	Level 3	Total
Derivative Financial Instruments <sup>2</sup>				
<b>Liabilities:</b>				
Interest rate contracts	\$ (16,873)			\$ (16,873)

<sup>2</sup> Derivative financial instruments are financial futures contracts, which are valued at the unrealized appreciation/depreciation on the instrument.

Schedule of Investments (concluded)

BlackRock MuniYield New York Quality Fund, Inc. (MYN)

Certain of the Fund's assets and/or liabilities are held at carrying amount, which approximates fair value for financial reporting purposes. As of October 31, 2013, such assets and/or liabilities are categorized within the disclosure hierarchy as follows:

	Level 1	Level 2	Level 3	Total
<b>Assets:</b>				
Cash pledged for financial futures contracts	\$ 378,000			\$ 378,000
<b>Liabilities:</b>				
TOB trust certificates		\$ (92,505,755)		(92,505,755)
VRDP Shares		(247,700,000)		(247,700,000)
<b>Total</b>	\$ 378,000	\$ (340,205,755)		\$ (339,827,755)

There were no transfers between levels during the period ended October 31, 2013.

BLACKROCK MUNIYIELD NEW YORK QUALITY FUND, INC.

OCTOBER 31, 2013

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Item 2 Controls and Procedures

- 2(a) The registrant's principal executive and principal financial officers, or persons performing similar functions, have concluded that the registrant's disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940, as amended (the "1940 Act")) are effective as of a date within 90 days of the filing of this report based on the evaluation of these controls and procedures required by Rule 30a-3(b) under the 1940 Act and Rule 13a-15(b) under the Securities Exchange Act of 1934, as amended.
- 2(b) There were no changes in the registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under the 1940 Act) that occurred during the registrant's last fiscal quarter that have materially affected, or are reasonably likely to materially affect, the registrant's internal control over financial reporting.

Item 3 Exhibits

Certifications Attached hereto

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

BlackRock MuniYield New York Quality Fund, Inc.

By: /s/ John M. Perlowski  
John M. Perlowski  
Chief Executive Officer (principal executive officer) of  
BlackRock MuniYield New York Quality Fund, Inc.

Date: December 23, 2013

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By: /s/ John M. Perlowski  
John M. Perlowski  
Chief Executive Officer (principal executive officer) of  
BlackRock MuniYield New York Quality Fund, Inc.

Date: December 23, 2013

By: /s/ Neal J. Andrews  
Neal J. Andrews  
Chief Financial Officer (principal financial officer) of  
BlackRock MuniYield New York Quality Fund, Inc.

Date: December 23, 2013