

DELCATH SYSTEMS INC  
Form DEF 14A  
March 30, 2010

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

SCHEDULE 14A  
Proxy Statement Pursuant to Section 14(a)  
of the Securities Exchange Act of 1934

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to § 240.14a-12

Delcath Systems, Inc.

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(Name of Registrant as Specified In Its Charter)

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(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

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(2) Aggregate number of securities to which transaction applies:

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(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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(4) Proposed maximum aggregate value of transaction:

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(5) Total fee paid:

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oFee paid previously with preliminary materials.

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(1) Amount Previously Paid: \_\_\_\_\_

(2) Form, Schedule or Registration Statement No.: \_\_\_\_\_

(3) Filing Party: \_\_\_\_\_

(4) Date Filed: \_\_\_\_\_

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NOTICE OF ANNUAL MEETING OF STOCKHOLDERS  
TO BE HELD ON MAY 6, 2010

Notice is hereby given that the 2010 Annual Meeting of Stockholders of Delcath Systems, Inc. will be held on Thursday, May 6, 2010, at 10:00 a.m., local time, at the Sheraton New York Hotel & Towers, 811 Seventh Avenue, New York, New York.

The following matters will be voted on at the Annual Meeting:

1. Election of each of Harold S. Koplewicz, M.D. and Robert B. Ladd as Class I directors, each to serve until the 2013 annual meeting of stockholders and until his successor is duly elected and qualified;
2. Ratification of the appointment by our Audit Committee of Ernst & Young LLP as Delcath's independent registered public accounting firm for the fiscal year ending December 31, 2010;
3. Approval of an amendment to Delcath's 2009 Stock Incentive Plan to increase the total number of shares of Delcath common stock reserved for issuance under the plan by 2,200,000 shares, from 2,000,000 to 4,200,000 shares of Delcath common stock; and
4. Such other business as may properly come before the meeting or any adjournment or postponement of the meeting.

We are not aware of any other business to come before the meeting.

These items of business are more fully described in the Proxy Statement which accompanies this Notice of Annual Meeting.

The Board of Directors has fixed the close of business on Monday, March 22, 2010 as the record date for the Annual Meeting. Only stockholders of record of Delcath common stock at the close of business on that date are entitled to notice of and to vote at the Annual Meeting and at any adjournment or postponement of the meeting.

Your vote is important. Whether or not you plan to attend the Annual Meeting, please complete, sign, date and return the accompanying proxy card in the enclosed postage-paid envelope. Returning the proxy card does NOT deprive you of your right to attend the meeting and to vote your shares in person. The Proxy Statement explains proxy voting and the matters to be voted on in more detail. Please read the Proxy Statement carefully.

By Order of the Board of Directors

New York, New York  
March 30, 2010

Eamonn P. Hobbs  
President and Chief Executive Officer

DELCATH SYSTEMS, INC.  
PROXY STATEMENT  
FOR  
2010 ANNUAL MEETING OF STOCKHOLDERS

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600 Fifth Avenue, 23rd Floor  
New York, New York 10020

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PROXY STATEMENT

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For the 2010 Annual Meeting of Stockholders to be held on May 6, 2010

The enclosed proxy is solicited by the Board of Directors of Delcath Systems, Inc. (“Delcath”, “we,” “our”, “us” or the “Company”) to be voted at our 2010 Annual Meeting of Stockholders (the “Annual Meeting”) to be held on Thursday, May 6, 2010 at 10:00 a.m., local time, and at any adjournment or postponement of the meeting. The Annual Meeting will be held at the Sheraton New York Hotel & Towers, 811 Seventh Avenue, New York, New York. This Proxy Statement and the accompanying Notice of Annual Meeting of Stockholders, proxy card and Delcath’s Annual Report on Form 10-K for the fiscal year ended December 31, 2009 (the “Form 10-K”), were first mailed on or about March 30, 2010, to our stockholders entitled to vote at the meeting.

INFORMATION ABOUT THE ANNUAL MEETING AND VOTING

Purpose of the Annual Meeting.

At the Annual Meeting, stockholders will consider and vote on the following matters:

1. Election of each of Harold S. Koplewicz, M.D. and Robert B. Ladd as Class I directors, each to serve until the 2013 annual meeting of stockholders and until his successor is duly elected and qualified (Proposal One);
2. Ratification of the appointment by our Audit Committee of Ernst & Young LLP as Delcath’s independent registered public accounting firm for the fiscal year ending December 31, 2010 (Proposal Two);
3. Approval of an amendment to Delcath’s 2009 Stock Incentive Plan to increase the total number of shares of Delcath common stock reserved for issuance under the plan by 2,200,000 shares, from 2,000,000 to 4,200,000 shares of our common stock (Proposal Three); and
4. Such other business as may properly come before the meeting or any adjournment or postponement of the meeting.

Stockholders entitled to vote.

Stockholders of record at the close of business on Monday, March 22, 2010 (the “Record Date”) of our common stock, \$0.01 par value per share, are entitled to notice of and to vote at the Annual Meeting and at any adjournment or postponement of the meeting. At the close of business on the Record Date there were 36,655,734 shares of Delcath common stock issued, outstanding and entitled to vote.

Number of votes.

You have one vote for each share of Delcath common stock held by you on the Record Date.





Voting.

You may vote your shares in person or by proxy.

Stockholders of Record. If you hold your shares in your own name as a holder of record, you can vote your common stock by:

- completing the enclosed proxy card and returning it signed and dated in the enclosed postage-paid envelope. The persons named in the proxy card (the “proxies” or “proxy holders”) will vote your shares in accordance with your instructions in your completed and returned proxy card; or
- attending the Annual Meeting and delivering your completed proxy card in person or by completing a ballot at the meeting. Ballots will be available at the meeting.

Beneficial Owners. If your shares are held in the name of a bank, broker or other holder of record, you will receive instructions from the holder of record on how to vote your shares. You must follow the instructions of your broker or other nominee in order for your shares to be voted. If your shares are not registered in your name and you plan to vote your shares in person at the meeting, you must obtain and bring with you to the meeting a “legal proxy” from the broker or other nominee holding your shares that confirms your beneficial ownership of the shares and gives you the right to vote your shares at the meeting.

Quorum.

A majority of our outstanding shares of common stock present in person or by proxy at the Annual Meeting constitutes a quorum. For purposes of determining the presence of a quorum for transacting business at the Annual Meeting, abstentions and “broker non-votes” (proxies from brokers or other nominees indicating that they have not received instructions from the beneficial owner(s) on a particular matter(s) with respect to which the brokers or nominees do not have discretionary voting authority) will be treated as shares that are present.

Non-Routine  
Proposals;  
Broker  
Non-Votes.

Your broker or nominee will have discretionary authority to vote your shares with respect to “routine” proposals, but not with respect to “non-routine” proposals.

- Non-routine proposals. Proposal One (election of directors) and Proposal Three (amending the 2009 Stock Incentive Plan) are non-routine proposals.
- Routine proposal. Proposal Two (ratification of the appointment of our independent registered public accounting firm) is a routine proposal.

Vote Required;  
Treatment of  
Abstentions and  
Broker  
Non-Votes.

The two nominees for director receiving a plurality, or the highest number of “FOR” votes, of votes cast at the Annual Meeting, will be elected as our Class I directors. Shares that are not voted, either because you marked your proxy card to withhold authority for one or more nominees or you did not complete and return your proxy card, will have

no impact on the election of directors. Broker non-votes will not be considered entitled to vote on Proposal One.

The affirmative vote of the majority of shares of our common stock present in person or by proxy at the Annual Meeting and entitled to vote on Proposal Two (ratification of the appointment of our independent registered public accounting firm) and Proposal Three (amending the 2009 Stock Incentive Plan) is required to approve these proposals. “Abstentions” will have the effect of a vote against Proposal Two and Proposal Three, and broker non-votes will have no effect on the outcome of these proposals.

Voting of Proxies.

Your shares of Delcath common stock will be voted in accordance with the instructions contained in your proxy card. If you return a signed proxy card without giving specific voting instructions, your shares will be voted:

- “FOR” the election of Harold S. Koplewicz, M.D. and Robert B. Ladd as Class I directors;
- “FOR” the ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2010; and
- “FOR” the approval of the amendment to Delcath’s 2009 Stock Incentive Plan to increase the total number of shares of Delcath common stock reserved for issuance under the plan by 2,200,000 shares, from 2,000,000 to 4,200,000 shares of our common stock.

Other Matters.

We are not aware of any matters to be presented at the Annual Meeting other than those described in this Proxy Statement. If any matters not described in this Proxy Statement are properly presented at the meeting, the proxy holders will use their own judgment to determine how to vote your shares. If the meeting is adjourned or postponed, the proxy holders can vote your shares on the new meeting date as well, unless you have subsequently revoked your proxy.

Revoking your Proxy.

Stockholders of Record. You can revoke your proxy at any time before it is voted at the Annual Meeting by doing any one of the following things:

- giving our Corporate Secretary a written notice of revocation before (addressed to Mr. Jason Rifkin, Corporate Secretary, Delcath Systems, Inc., 600 Fifth Avenue, 23rd Floor, New York, New York 10020) or at the meeting; or
- delivering a properly executed, later dated proxy card; or
- attending the Annual Meeting and voting in person at the meeting. Your attendance at the meeting in and of itself will not be sufficient to revoke your proxy.

Beneficial Owners. If you instructed your broker or nominee to vote your shares, you can change your vote only by following your broker or nominee’s instructions for doing so.

Expenses and Solicitation.

The costs of solicitation of proxies, including printing and mailing costs, will be borne by Delcath. In addition to the solicitation of proxies by mail, proxies may also be solicited personally by directors, officers and employees of Delcath, without additional compensation to these individuals. Delcath may request banks, brokers and other firms holding shares in their names which are beneficially owned by others to send

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proxy materials and obtain proxies from such beneficial owners, and will reimburse such banks, brokers and other firms for their reasonable out-of-pocket costs.

Important Notice Regarding the Availability of Proxy Materials for the Stockholder Meeting to be Held on Thursday, May 6, 2010. A copy of this Proxy Statement, the proxy card and our Annual Report on Form 10-K are available at: <https://materials.proxyvote.com/24661P>.

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## SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table contains information regarding the beneficial ownership of our common stock as of March 22, 2010, held by (i) each stockholder known by us to beneficially own more than 5% of our common stock; (ii) each of our directors (and nominees); (iii) each of our named executive officers in the Summary Compensation Table; and (iv) all of our current directors and executive officers as a group.

Beneficial Owner:	Number of Shares Beneficially Owned(1)	Percent of Class
<b>More than 5%:</b>		
FMR LLC (2) 82 Devonshire Street, Boston, Massachusetts 02109	2,493,700	6.80%
Laddcap Value Partners L.P. (3) 650 Fifth Avenue, Suite 600 New York, New York 10019	2,382,863	6.50%
<b>Management:</b>		
Harold S. Koplewicz, M.D.(4)	300,485	*
Robert B. Ladd, MBA, CFA(3)(5)	2,438,348	6.64%
Richard L. Taney, J.D. (6)	601,485	1.62%
Laura A. Philips, Ph.D., MBA (7)	206,485	*
Roger G. Stoll, Ph.D. (8)	115,485	*
Pamela R. Contag, Ph.D. (9)	80,485	*
Eamonn P. Hobbs (10)	500,000	1.35%
David A. McDonald (11)	133,336	*
Krishna Kandarpa, M.D., Ph.D. (12)	240,606	*
Jason Rifkin, J.D., M.B. (13)	92,802	*
Barbra Keck (14)	11,000	*
All current directors and executive officers as a group (13 people)(15):	4,846,515	12.65%

\* Less than 1%

(1) Except as indicated in these footnotes, the persons named in this table have sole voting and investment power with respect to all shares of common stock beneficially owned. The number of shares beneficially owned by each person as of March 22, 2010 includes shares of common stock that such person has the right to acquire on or within 60 days after March 22, 2010 upon the exercise of stock options. For each individual included in the table, percentage ownership is calculated by dividing the number of shares beneficially owned by such person by the sum of the 36,655,734 shares of common stock outstanding on March 22, 2010 plus the number of shares of common stock that such person or group has the right to acquire on or within 60 days after March 22, 2010.

(2) FMR LLC, is a parent holding company. Fidelity Management & Research Company (“Fidelity”), a wholly-owned subsidiary of FMR LLC, and a registered investment adviser, is the beneficial owner of 2,493,700 shares of Delcath common stock as a result of acting as investment adviser to various registered investment companies; one

investment company, Fidelity Mid-Cap Stock Fund, owns 2,000,000 of such shares of Delcath common stock. Edward C. Johnson 3d, Chairman of FMR LLC, and FMR LLC, through its control of Fidelity, and the funds each has sole power to dispose of the 2,493,700 shares owned by such funds. Neither FMR LLC nor Edward C. Johnson has the sole power to vote or direct the voting of the shares owned directly by the Fidelity funds, such power resides with the respective funds' boards of trustees. Fidelity carries out the voting of the shares under written guidelines established by the funds' boards of trustees. The information in this footnote was derived from a Schedule 13G filed by FMR LLC with the Securities and Exchange Commission on February 16, 2010.

- (3) Robert Ladd, a director of Delcath, is the managing member of Laddcap Value Advisors LLC, which is the investment advisor of Laddcap Value Partners L.P. (“Laddcap”). Mr. Ladd also serves as managing member of Laddcap Value Associates LLC, which is the general partner of Laddcap. Laddcap Value Advisors LLC, Laddcap Value Associates LLC and Mr. Ladd share voting and dispositive power with respect to the shares of Delcath common stock beneficially owned by Laddcap Value Partners L.P. The information in this footnote was derived from a Schedule 13D filed by Laddcap Value Partners L.P. with the Securities and Exchange Commission on April 2, 2009. Laddcap Value Partners L.P. has sole voting and dispositive power with respect to the 2,382,863 shares of Delcath common stock covered by the Schedule 13D. Laddcap Value Advisors LLC and Laddcap Value Associates LLC disclaim beneficial ownership of the shares of Delcath common stock covered by the Schedule 13D. Mr. Ladd disclaims beneficial ownership of the shares of Delcath common stock covered by the Schedule 13D, other than 10,000 shares, which are included in the shares reported as beneficially owned by Mr. Ladd in this table.
- (4) Includes stock options to purchase 240,000 shares of common stock.
- (5) Includes stock options to purchase 40,000 shares of common stock.
- (6) Includes stock options to purchase 390,000 shares of common stock.
- (7) Includes 12,000 shares owned of record by Dr. Philips’ spouse with respect to which shares Dr. Philips disclaims beneficial ownership; 20,000 shares owned jointly by Dr. Philips and her spouse; and stock options to purchase 150,000 shares of common stock.
- (8) Consists of stock options to purchase 75,000 shares of common stock.
- (9) Consists of stock options to purchase 75,000 shares of common stock.
- (10) Includes stock options to purchase 400,000 shares of common stock.
- (11) Includes stock options to purchase 83,336 shares of common stock.
- (12) Includes stock options to purchase 56,000 shares of common stock.
- (13) Includes stock options to purchase 91,667 shares of common stock.
- (14) Includes 1,000 shares owned jointly with spouse and stock options to purchase 10,000 shares of common stock.
- (15) The number of shares beneficially owned by all current directors and executive officers as a group includes 1,661,001 shares of common stock issuable upon exercise of stock options.

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## CORPORATE GOVERNANCE

**Board of Directors.** The Board of Directors oversees our business affairs and monitors the performance of management. In accordance with our corporate governance principles, our Board does not involve itself in day-to-day operations. The directors keep themselves informed through discussions with our Chief Executive Officer, or CEO, and Chief Financial Officer, or CFO, and other key executives and by reading the reports and other materials that management sends them and by participating in Board and committee meetings. Our directors hold office until their successors have been elected and qualified unless the director resigns or is removed or by reason of death or other cause is unable to serve in the capacity of director.

**Board Independence.** The Board has determined that a majority of our directors, namely the directors standing for re-election: Harold S. Koplewicz, M.D. and Robert B. Ladd, and the continuing directors: Laura A. Philips, Roger G. Stoll and Pamela Contag are “independent” directors within the meaning of the NASDAQ listing rules.

**Attendance.** The Board of Directors met 13 times during the fiscal year ended December 31, 2009 (including regularly scheduled and special meetings). During 2009, each director attended at least 75% of the aggregate of: (i) the total number of meetings of the Board (held during the period for which he or she served as a director) and (ii) the total number of meetings held by all committees of the Board of Directors on which he or she served (held during the period that he or she served). It is the Company’s policy that, absent unusual or unforeseen circumstances, all directors are expected to attend annual meetings of stockholders, and all attended the Company’s 2009 Annual Meeting.



Board Leadership Structure. Our current leadership structure is comprised of an independent director serving as Chairman of the Board (Dr. Koplewicz), a Company employee serving as Chief Executive Officer and President (Mr. Hobbs) and strong, active independent directors serving on our Board committees. We believe that this structure is appropriate for the Company because it allows one person, our CEO and President, to concentrate on the day-to-day operations of the Company and to speak for and lead the Company, while providing for effective oversight by an independent Chairman and Board. The Chairman is responsible for the strategic operations of the Board and sets the agenda for and presides over Board Meetings. For a company like Delcath, that is focused on the development, approval and commercialization of a specialized product in an extremely technical, highly regulated and intensely competitive industry, we believe our CEO and President is in the best position to lead our management team and to respond to the current pressures and needs of a company at the stage of growth and development of Delcath. Our Chairman, on the other hand, is in the best position to focus the Board's attention on the broader issues of corporate governance. We believe that splitting the roles of Chairman and CEO (and President) minimizes any potential conflicts that may result from combining the roles of CEO and Chairman, and maximizes the effectiveness of our management and governance processes to the benefit of our stockholders.

**Board's Role in Risk Oversight.** The Board as a whole is responsible for risk oversight, with reviews in certain areas being conducted by the relevant Board committees. Each of the Board's committees oversees the management of risks associated with their respective areas of responsibility. In performing this oversight function, the committees are assisted by management which provides visibility about the identification, assessment and management of potential risks and management's strategy to mitigate such risks. Key members of management responsible for a particular area report directly to the Board committee charged with oversight of the associated function, and if the circumstances require, the whole Board. The Board committees review various risk exposures with the full Board and otherwise keep the full Board abreast of the committees' risk oversight activities throughout the year, as necessary or appropriate.

**Board Committees.** Our Board has three standing committees: a Compensation and Stock Option Committee, an Audit Committee and a Nominating and Corporate Governance Committee.

**Compensation and Stock Option Committee.** The Compensation and Stock Option Committee, or the "Compensation Committee", assists the Board of Directors in the discharge of the Board's responsibilities with respect to the compensation of the Company's directors, executive officers, and other key employees and consultants. As further described in the "Compensation Discussion and Analysis" section of this Proxy Statement, the Compensation and Stock Option Committee establishes the overall compensation philosophy of the Company and is authorized to approve the compensation payable to our executive officers, including our named executive officers, and other key employees, including all perquisites, equity incentive awards, cash bonuses, and severance packages. The Compensation Committee also administers certain of the Company's employee benefit plans, including its equity incentive plans.

The current members of the Compensation and Stock Option Committee are Roger G. Stoll (Chair), Harold S. Koplewicz, M.D. and Robert B. Ladd, each of whom is "independent" within the meaning of the NASDAQ listing rules. During 2009, the Compensation and Stock Option Committee met seven times. The charter of the Compensation and Stock Option Committee is available on the Company's website, go to [www.delcath.com](http://www.delcath.com), click on "Investors" and click on "Company Charters".

**Audit Committee.** The Audit Committee provides assistance to the Board in fulfilling its oversight responsibilities with respect to the Company's financial statements, the Company's system of internal accounting and financial controls and the independent audit of the Company's financial statements. Functions of the Audit Committee include:

- the selection, evaluation and, where appropriate, replacement of the Company's outside auditors;
- an annual review and evaluation of the qualifications, performance and independence of the Company's outside auditors;
- the approval of all auditing services and permitted non-audit services provided by the Company's outside auditors;
- the review of the adequacy and effectiveness of the Company's accounting and internal controls over financial reporting; and

- the review and discussion with management and the outside auditors of the Company's financial statements to be filed with the Securities and Exchange Commission.

The current members of the Audit Committee are Laura A. Philips (Chair), Harold S. Koplewicz, M.D. and Robert B. Ladd, each of whom is "independent" within the meaning of the NASDAQ listing rules. The Board has determined that Laura Philips and Robert Ladd each qualify as an "audit committee financial expert" as defined in the rules of Securities and Exchange Commission. During 2009, the Audit Committee met five times. The charter of the Audit Committee is available on the Company's website, go to [www.delcath.com](http://www.delcath.com), click on "Investors" and click on "Company Charters".

Nominating and Corporate Governance Committee. The Nominating and Corporate Governance Committee, or "Nominating Committee", is responsible for identifying individuals qualified to become Board members, and recommends to the Board the director nominees to be proposed by the Board for election by the stockholders (as well as any director nominees to be appointed by the Board to fill interim vacancies). The Nominating Committee also recommends the directors to be selected for membership on each Board committee. The Nominating and Corporate Governance Committee is also responsible for developing and recommending to the Board appropriate corporate governance guidelines and policies, and for leading the Board in its annual review of the Board's performance.

The current members of the Nominating and Corporate Governance Committee are Pamela R. Contag (Chair), Laura A. Philips and Roger G. Stoll, each of whom is "independent", within the meaning of the NASDAQ listing rules. During 2009, the Nominating and Corporate Governance Committee met five times. The charter of the Nominating and Corporate Governance Committee is available on the Company's website, go to [www.delcath.com](http://www.delcath.com), click on "Investors" and click on "Company Charters".

In considering candidates for the Board, the Nominating and Corporate Governance Committee considers the entirety of each candidate's credentials including, but not necessarily limited to, outstanding achievement in a candidate's personal career, broad and relevant experience, integrity, sound and independent judgment, experience and knowledge of the business environment and markets in which the Company operates, business acumen, and willingness and ability to devote adequate time to Board duties. The Nominating and Corporate Governance Committee considers the diversity of its members in the context of the Board as a whole, including the personal characteristics, experience and background of directors and nominees to facilitate Board deliberations that reflect a broad range of perspectives.

Recommendations by Stockholders of Director Nominees. The Nominating Committee will consider any recommendation by a stockholder of a candidate for nomination as a director. If a stockholder wants to recommend a director candidate for consideration by the Nominating Committee, the stockholder should submit the name of the proposed nominee, together with the reasons why the stockholder believes the election of the candidate would be beneficial to the Company and its stockholders and the information about the nominee that would be required in a proxy statement requesting proxies to vote in favor of the candidate. The stockholder's submission must be accompanied by the written consent of the proposed nominee to being nominated by the Board and the candidate's agreement to serve if nominated and elected. Any such submission should be directed to the Nominating and Corporate Governance Committee at the Company's principal office, 600 Fifth Avenue, 23rd Floor, New York, New York 10020. If a stockholder intends to nominate a person for election to the Board of Directors at an annual meeting, the stockholder must provide the Company with written notice of his or her intention no later than the deadline for receiving a stockholder proposal for inclusion in the Company's proxy statement for such meeting (as described below under the heading "Stockholder Proposals For the 2011 Annual Meeting"), and must otherwise comply with our amended and restated certificate of incorporation. Copies of any recommendation received in accordance with these procedures will be distributed to each member of the Nominating and Corporate Governance Committee. One or more members of the Nominating and Corporate Governance Committee may contact the proposed candidate to request additional information.

At the request of any director, the candidacy of a proposed director nominee will be considered by the full Nominating and Corporate Governance Committee. The Nominating and Corporate Governance Committee will not, however, be obligated to notify a stockholder who has recommended a candidate for consideration by the Nominating Committee as a director of the reasons for any action the Nominating Committee may or may not take with respect to such recommendation.

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Stockholder Communications with the Board of Directors. Any stockholder wishing to communicate with the Board or with any specified director should address his or her communication to the Board of Directors or to the particular director(s) in care of the Corporate Secretary, Delcath Systems, Inc., 600 Fifth Avenue, 23rd Floor, New York, New York 10020. All such written communication, other than items determined by our legal counsel to be inappropriate for submission to the intended recipient(s), will be submitted to the Board or to the particular director(s). Any stockholder communication not so delivered, will be made available upon request to any director. Examples of stockholder communications that would be considered inappropriate for submission include, without limitation, customer complaints, business solicitations, product promotions, job inquiries, junk mail and mass mailings, as well as material that is unduly hostile, threatening, illegal or similarly unsuitable.

Compensation Committee Interlocks and Insider Participation. The members of our Compensation and Stock Option Committee are: Roger G. Stoll (Chair), Harold S. Koplewicz, M.D. and Robert B. Ladd. None of the members of the Compensation and Stock Option Committee is a current or former officer or employee of the Company, nor did any Compensation and Stock Option Committee member engage in any "related person" transaction that would be required to be disclosed under Item 404 of Regulation S-K. During 2009, none of the Company's executive officers served on the compensation committee (or equivalent) or on the board of directors of another entity whose executive officers served on the Compensation and Stock Option Committee or the Company's Board of Directors.

#### Transactions with Related Persons

Policy for Review and Approval of Related Person Transactions. The Company has adopted a written policy for the review and approval or ratification of transactions between the Company and Related Parties. Under the policy, the Company's Nominating and Corporate Governance Committee will review the material facts of proposed transactions involving the Company in which a Related Party will have a direct or indirect material interest. The Committee will either approve or disapprove the Company's entry into the transaction or, if advance approval is not feasible, will consider whether to ratify the transaction. The Committee may establish guidelines for ongoing transactions with a Related Party, and will review such transactions at least annually. If the aggregate amount of the transaction is expected to be less than \$200,000, such approval or ratification may be made by the Chair of the Committee. In determining whether to approve or ratify a transaction with a Related Party, the Committee (or Chair) will consider, among other factors, whether the transaction is on terms no less favorable than terms generally available to an unaffiliated third-party and the extent of the Related Party's interest in the transaction.

Certain transactions are deemed pre-approved under the Policy, including compensation of executive officers and directors (except that employment of an immediate family member of an executive officer requires specific approval), and transactions with a company at which the Related Party's only relationship is as a non-officer employee, director, or less than 10% owner if the aggregate amount involved does not exceed 2% of the company's total annual revenues (or, in the case of charitable contributions by the Company, 2% of the charity's total annual receipts). Pre-approval is not required if the amount involved in the transaction is not expected to exceed \$120,000 in any calendar year.

For purposes of the policy, a Related Party is generally anyone who since the beginning of the last full fiscal year is or was an executive officer, director or director nominee, owner of more than 5% of the Common Stock, or immediate family member of any of such persons.

Related Person Transactions During Fiscal 2009. No related person transactions occurred during fiscal 2009.

ELECTION OF DIRECTORS  
(PROPOSAL ONE)

The Board of Directors of the Company currently consists of seven directors divided into three approximately equal classes. The directors hold office for staggered terms of three years (and until their successors are elected and qualified). One of the three classes is elected each year to succeed the directors whose terms are expiring.

The nominees for director at the 2010 Annual Meeting are Harold S. Koplewicz, M.D. and Robert B. Ladd. Each of these nominees is currently a director and has been nominated by the Board of Directors, upon the recommendation of its Nominating and Corporate Governance Committee, to stand for election for a term expiring at the annual meeting of stockholders to be held in 2013. Each of these nominees has consented to being named in this Proxy Statement as a Board nominee and to serve if elected. Should any of the nominees not remain a candidate for election at the date of the Annual Meeting, proxies will be voted in favor of the nominees who remain candidates and may be voted for substitute nominees selected by the Board of Directors.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE “FOR” THE ELECTION OF THE ABOVE NOMINEES AS DIRECTORS.

Information About Directors. The following table sets forth certain information regarding the directors standing for re-election and members of the Board of Directors of the Company whose terms will continue after the Annual Meeting.

Name	Age	Position(s) with the Company	Director Since	Director Class	Term Expires
Pamela R. Contag	52	Director	2008	II	2011
Eamonn P. Hobbs	51	President, Chief Executive Officer and Director	2008	II	2011
Harold S. Koplewicz	57	Chairman of the Board	2006	I	2010(1)
Robert B. Ladd	51	Director	2006	I	2010(1)
Laura A. Philips	52	Director	2007	III	2012
Roger G. Stoll	67	Director	2008	III	2012
Richard L. Taney	53	Director	2006	II	2011

(1) Nominee for re-election at the 2010 Annual Meeting for a term expiring in 2013.

Set forth below is certain information with respect to the nominees and other directors of the Company. Unless otherwise indicated, the principal occupation listed below for each person has been his or her principal occupation for the past five years.

Board Nominees.

Harold S. Koplewicz, M.D. was first appointed a director in September 2006 and was appointed Chairman of the Board in February 2007. He is one of the nation’s leading child and adolescent psychiatrists, honoured by the American Psychiatric Association, the American Society for Adolescent Psychiatry, and the American Academy of Child & Adolescent Psychiatry. In May 2006, he was appointed by then-New York Governor George Pataki to the position of Director of the Nathan S. Kline Institute for Psychiatric Research, where he is the third person to hold this position since the institution’s founding in 1952. In 2007, Dr. Koplewicz became the first Vice Dean of External Affairs at the NYU Langone Medical Center. During his tenure, over \$500 million in philanthropic support was raised

for the Medical Center. Dr. Koplewicz founded the NYU Child Study Center in 1997 and served as its Director for twelve years. Under his leadership, the NYU Child Study Center made remarkable contributions to the field through expert clinical care, a robust research portfolio, and advocacy for child mental health. A graduate of Albert Einstein College of Medicine, Dr. Koplewicz completed his psychiatric residency at New York Hospital Westchester Division, a fellowship in Child Psychiatry at Columbia University's College of Physicians and Surgeons, a NIMH Research Fellowship at the New York State Psychiatric Institute, and the Executive Program in Health Policy and Management at Harvard University's School of Public Health. He has served as a member of the National Board of Medical Examiners and as a Commissioner of the New York State Commission on Youth, Crime and Violence and Reform of the Juvenile Justice System. Since 1997, he has been the Editor-in-Chief of the Journal of Child and Adolescent Psychopharmacology. He has also served as a member of the working group organized by the U.S. Assistant Surgeon General and the U.S. Department of Health and Human Services to address the effects of terrorism on children's mental health. The Nominating and Corporate Governance Committee considered these qualifications, in addition to his leadership experience and valuable insights in the medical field, as well as the overall composition of the Board, in making the determination that Dr. Koplewicz should be a nominee for director of the Company.

Robert B. Ladd was first appointed a director in October 2006. Since January 2003, Mr. Ladd has served as the founder and managing member of Laddcap Value Associates LLC, the general partner of Laddcap Value Partners LP, an investment management company. From 1988 to November 2002, Mr. Ladd served as a Managing Director of Neuberger Berman, an investment management company, where his responsibilities included serving as a portfolio manager for various high net worth clients and as a securities analyst. Mr. Ladd graduated from the University of Pennsylvania's Wharton School with a B.S. in Economics in 1980. He received his MBA from Northwestern University's Kellogg School of Management in 1983. Mr. Ladd has also earned a CFA designation. Mr. Robert Ladd served on the Board of Directors of InFocus Corp. from 2007 to 2009, a former public company. The Nominating and Corporate Governance Committee considered these qualifications, in addition to his financial acumen and insights to the Board gained from his broad financial experience, as well as the overall composition of the Board, in making the determination that Mr. Ladd should be a nominee for director of the Company.

#### Continuing Directors.

Laura A. Philips, Ph.D., MBA was appointed as a director in May 2007. Dr. Philips currently serves on the Boards of Directors of: China Yongxin Pharmaceuticals Inc., where she serves on the compensation committee; Wellgen, Inc., where she serves on the audit committee; and Boyce Thompson Institute, where she serves as vice chair, chairs the compensation committee and serves on the audit and investment committees of that Board. Ms. Philips is also Chair Emeritus of the Board of Planned Parenthood of New York City. China Yongxin Pharmaceuticals is a publicly traded company. Wellgen Inc. is privately held. Dr. Philips is also currently a consultant for early stage companies. From 2003 to 2006, she was Chief Operating Officer and Acting Chief Financial Officer of NexGenix Pharmaceuticals. Prior to that, she was Vice President, Program Management for the AMDcC Foundation. Dr. Philips worked at Corning Incorporated from 1997 to 2002, where she held several positions including Program Director of the Fuel Cells Division. From 1994 to 1996, Dr. Philips held various government positions in Washington, D.C., most recently in a Presidential appointment as Senior Policy Advisor to Secretary of Commerce Ronald Brown. Dr. Philips was on the faculty of Cornell University in the Department of Chemistry from 1987 to 1994 and was an NIH Post-Doctoral Fellow at the University of Chicago. She received a B.A. in Chemistry from Williams College, a Ph.D. in Physical Chemistry from the University of California Berkeley and an MBA with Distinction from Cornell University's Johnson School of Management. Dr. Philips' scientific and business knowledge and financial aptitude contribute to full discussion and evaluation by the Board of its objectives and alternatives. Dr. Philips currently serves on several other boards, including both public and private companies. The Nominating and Corporate Governance Committee considered these qualifications, in addition to her financial expertise and audit committee experience, as well as the overall composition of the Board, in making the determination that Dr. Philips should serve as a director of the Company.

Roger G. Stoll, Ph.D. was appointed as a director in December 2008. From 2002 to 2008, he served as Chief Executive Officer and President of Cortex Pharmaceuticals, Inc., a publicly traded company, where he was appointed Executive Chairman in August 2008. From 2001 to 2002, he was a consultant to several east coast venture capital firms and startup ventures. From 1998 to 2001, he was Executive Vice President of Fresenius Medical Care-North America, in charge of the dialysis products division and the diagnostic systems business units, which included hemodialysis machines and dialysis filters equipment. From 1991 to 1998, Dr. Stoll was Chief Executive of Ohmeda, a global leader in anesthesia pharmaceuticals and related operating room equipment and devices. He also served on the boards of directors of St. Jude Medical and the BOC Group, plc. From 1986 to 1991, Dr. Stoll held several executive management positions at Bayer, AG, including Executive Vice-President and General Manager for the worldwide Diagnostic Business Group. Prior to that, Dr. Stoll worked for American Hospital Supply Corp., where he rose from Director of Clinical Pharmacology to President of its American Critical Care Division. He began his pharmaceutical career at the Upjohn Company in 1972. Dr. Stoll obtained his B.S. in Pharmacy from Ferris State University, obtained a Ph.D. in Biopharmaceutics and Drug Metabolism at the University of Connecticut, and was a post-doctoral fellow for two years at the University of Michigan. Dr. Stoll also serves on the board of directors of Chelsea Therapeutics and School of Pharmacy Advisory Board of the University of Connecticut. Dr. Stoll currently



serves on the Board of Directors of Chelsea Therapeutics International, Ltd., a publicly traded company, and is a member of that Board's audit committee, his service commenced in 2008. The Nominating and Corporate Governance Committee considered these qualifications, in addition to his relevant management and pharmaceutical experience, as well as the overall composition of the Board, in making the determination that Dr. Stoll should serve as a director of the Company.

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Eamonn P. Hobbs was appointed President and Chief Executive Officer of Delcath in July 2009 and has been a director of the Company since October 2008. He has over 25 years of experience in the interventional radiology, interventional cardiology and gastroenterology medical device industries. From 1988 until 2009, Mr. Hobbs was President and CEO of AngioDynamics, Inc. In 2004, AngioDynamics was spun off from E-Z-EM, Inc., a healthcare company focused on diagnostic technologies, where Mr. Hobbs served as Senior Vice-President since 1988. Before his involvement with these companies, Mr. Hobbs was the Director of Marketing and Product Development at NAMIC, Founder, President and CEO of Hobbs Medical, Inc., and a Product Development Engineer at Cook Incorporated. He received a Bachelor of Science in Plastics Engineering with a Biomaterials emphasis at the University of Massachusetts, Lowell in 1980. In addition, since 2001, Mr. Hobbs has served as the only industry member of the strategic planning committee of the Society of Interventional Radiology, was elected to and served from 2002 to 2008 on the Board of Directors of the Society of Interventional Radiology Foundation (SIRF) and is currently Vice Chairman of the Medical Device Manufacturers Association (MDMA). Mr. Hobbs currently serves on the Board of Directors of Antares Pharma Co., a publicly traded company, and is a member of that Board's audit committee, his service commenced in August 2009. Mr. Hobbs also served on the Board of Directors of AngioDynamics, Inc., a publicly traded company from 1988 to 2009. In 2010, Mr. Hobbs also joined the Board of Directors of Cappella Cardiovascular Innovations, Inc. The Nominating and Corporate Governance Committee considered these qualifications, in addition to his public company and medical device experience, together with his knowledge of drug/device combination products and marketing, provide valuable perspective and insight, as well as the overall composition of the Board, in making the determination that Mr. Hobbs should serve as a director of the Company.

Pamela R. Contag, Ph.D. was appointed a director in December 2008. Dr. Contag founded ConcentRx Corp., a developer of cell based cancer therapies and currently serves as Chairman and CEO. Prior to starting ConcentRx she founded Cobalt Technologies, where she served as CEO and Chairman from 2006 to 2008. Cobalt specializes in biofuel production from microbes and won an award for one the top 20 cleantech in 2008. Prior to Cobalt, she founded Xenogen Corporation, which specializes in technology and services for preclinical drug development and testing, where she served as President and Director from 1995 to 2006. Xenogen, which went public in 2004, was acquired in 2006 by Caliper Life Sciences. Xenogen was listed as one of the "Top 25 Young Businesses" by Fortune Small Business and twice received the "R&D 100 Award." Dr. Contag was also recognized as one of the "Top 25 Women in Small Business" by Fortune magazine. Dr. Contag received her Ph.D. in Microbiology and Immunology from the University of Minnesota Medical School and completed her postdoctoral training at Stanford University School of Medicine. Dr. Contag is a consulting Professor at the Stanford School of Medicine and is widely published in the field of non-invasive molecular and cellular imaging including 35 patents. The Nominating and Corporate Governance Committee considered these qualifications, in addition to her significant scientific experience and strong management, organizational and leadership skills, as well as the overall composition of the Board, in making the determination that Dr. Contag should serve as a director of the Company.

Richard L. Taney, J.D. was first appointed a director in November 2006. Mr. Taney served as our Chief Executive Officer from December 2006 until July 2009 and our President from April 2007 until July 2009 and is currently an independent consultant. Mr. Taney was a founding partner of Sandpiper Capital Partners, an investment partnership that focuses on private equity investments and advisory work for privately held companies involved in a variety of emerging technologies, and managing partner from March 2003 until December 2006. In 1999, he founded T2 Capital Management, LLC, an investment management company and was the managing member until December 2004. Prior to establishing his money management ventures, he spent 20 years advising and managing assets for high net worth and institutional clients, at Salomon Brothers, Goldman Sachs and most recently as Managing Director of Banc of America Securities. He earned his B.A. from Tufts University and his J.D. from Temple University School of Law. The Nominating and Corporate Governance Committee considered these qualifications, in addition to his tenure on our Board and as the Company's previous Chief Executive Officer in order to provide a historic perspective and ongoing insight for the Board, Mr. Taney's financial expertise, as well as the overall composition of the Board, in making the determination that Mr. Taney should serve as a director of the Company.



Director Compensation. During 2009, Delcath's non-employee directors received: a cash retainer of \$5,000 per quarter (payable in arrears); \$1,000 for each Board and committee meeting attended; \$2,500 per quarter to the Chairman of the Board and the Chair of each committee; and reimbursement for reasonable travel expenses. In addition, our non-employee directors are eligible to receive equity awards under our 2009 Stock Incentive Plan.

The following table shows the compensation paid to our non-employee directors for the fiscal year ended December 31, 2009.

Director Compensation for 2009

Name	Fees Earned or Paid in		Total
	Cash	Stock Awards(1)	
Harold S. Koplewicz, M.D.	\$ 54,000	\$ 30,003	\$ 84,003
Robert B. Ladd	47,000	30,003	77,003
Laura A. Philips, Ph.D., MBA	53,000	30,003	83,003
Pamela R. Contag, Ph.D.	48,000	30,003	78,003
Roger G. Stoll, Ph.D.	52,000	30,003	82,003
Richard Taney(2)	16,000	30,003	46,003
Eamonn P. Hobbs(2)	19,000	–	19,000

(1)The amounts included in the "Stock Awards" column represents the grant date fair value for each director's restricted stock awards granted during fiscal 2009, computed in accordance with Financial Accounting Standards Board's Accounting Standards Codification Topic 718 ("FASB ASC Topic 718") – 5,485 shares of restricted stock each at \$5.47, the closing price of Delcath's common stock on December 10, 2009.

(2)Mr. Hobbs served as a non-employee director until July 6, 2009, when he was appointed President and CEO of the Company. Mr. Taney resigned as President and CEO of the Company effective July 6, 2009, and subsequent to his resignation began receiving fees and awards as a non-employee director.

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Effective as of January 1, 2010, non-employee directors receive: a cash retainer of \$6,000 per quarter (payable in arrears); \$1,000 for each Board and committee meeting attended in person; \$500 for each Board and committee meeting attended telephonically; \$3,000 per quarter to the Chairman of the Board and to the Chair of the Nominating and Corporate Governance Committee and Compensation and Stock Option Committee; and \$4,000 per quarter to the Chair of the Audit Committee.

Our non-employee directors are also covered by the Company's directors and officer insurance, and each of our directors and executive officers is a party to an indemnification agreement with us. The indemnification agreements require the Company to hold harmless and to indemnify each indemnitee to the fullest extent authorized or permitted by the Delaware General Corporation Law, the Company's amended and restated certificate of incorporation and amended and restated bylaws, subject to specified limitations. The indemnification agreements also provide for the advancement of reasonable litigation expenses to an indemnitee, subject to the requirement that the indemnitee reimburse the Company for such expenses if it is ultimately determined that the indemnitee is not entitled to such indemnification.

## INFORMATION ABOUT OUR EXECUTIVE OFFICERS

The following table provides information concerning the current executive officers of Delcath.

Name	Age	Office Currently Held
Eamonn P. Hobbs (1)	51	President and Chief Executive Officer
David A. McDonald	49	Chief Financial Officer
Agustin V. Gago	50	Executive Vice President, Global Sales and Marketing
Krishna Kandarpa, M.D., Ph.D.	59	Executive Vice President, Research and Development, and Chief Medical Officer
John Purpura	48	Executive Vice President, Regulatory Affairs and Quality Assurance
Barbra Keck	32	Vice President, Controller

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(1)Information about Mr. Hobbs is provided under the heading “Information about Directors – Continuing Directors.”

The following is a brief description of the business experience of the following officers:

David A. McDonald joined Delcath as Chief Financial Officer in September 2009. He was formerly the Senior Vice President of Business Development at AngioDynamics, Inc., where he led the company’s business development activities. Mr. McDonald founded Minneapolis-based Cornerstone Healthcare Advisors LLC in April 2005, which he led until joining AngioDynamics in July 2008. At Cornerstone he provided advisory and consulting services to emerging medical technology companies and their financial sponsors. Prior to 2005, Mr. McDonald was a Managing Director and leader of Medical Technology Investment Banking at RBC Capital Markets. Before his involvement with these companies, Mr. McDonald was a Senior Vice President and Equity Portfolio Manager at Investment Advisers, Inc. as well as a research analyst covering the healthcare industry for more than a dozen years. He received a Bachelor of Arts Degree in Economics from St. Olaf College in Northfield, Minnesota in 1982.

Agustin V. Gago joined Delcath as Executive Vice President for Global Sales and Marketing in November 2009. Prior to joining Delcath, he was Vice President for International Oncology Surgery Sales at AngioDynamics, Inc., since 2008. From 2002 to 2008, he was Vice President for the Global GI Business Unit at E-Z-EM, Inc., and from 1998 to 2002 he was Vice President of International Operations at E-Z-EM, Inc. Mr. Gago earned his B.S. in Business Management at Hofstra University and diplomas in International and Export Practices at universities overseas.

Krishna Kandarpa, M.D., Ph.D. joined Delcath as Executive Vice President, Research and Development and Chief Medical Officer in October 2009. Prior to joining Delcath, from 2002 to 2009, he was a tenured Professor and former Chair of the Department of Radiology at the University of Massachusetts Medical School (UMMS) and Radiologist-in-Chief at the University of Massachusetts Memorial Medical Center. Before joining the University of Massachusetts Memorial Medical Center in 2002, he was at the Weill Medical College of Cornell University, where he was a Professor of Radiology and Chief of Service and Director of the Division of Cardiovascular & Interventional Radiology at The New York Presbyterian Hospital (Cornell). He was also a faculty member at the Harvard-Massachusetts Institute of Technology, Division of Health Sciences and Technology from 1987 to 1998. Before deciding to attend medical school at the University of Miami, Dr. Kandarpa was a Research and Development Engineer at Duracell International Laboratory for Physical Science. He earned a Ph.D. in Engineering Science & Mechanics from Penn State University and a B.S. in Aerospace & Mechanical Engineering from Washington University (St. Louis). Dr. Kandarpa is past-President (1997-2001) and past-Chair (2001-2002) of the Cardiovascular

& Interventional Radiology Research and Education Foundation (CIRREF) of the Society of Interventional Radiology (SIR). He completed his final term on the Board of Directors of the Academy of Radiology Research in 2007. Dr. Kandarpa has authored over 50 original peer-reviewed scientific publications, including book chapters and solicited review articles, and is the author/editor of several specialized books, including The Handbook of Interventional Radiologic Procedures, and a new textbook entitled Peripheral Vascular Interventions (2008), which will be available in Chinese this year.

John Purpura joined Delcath as Executive Vice President for Global Sales and Marketing in November 2009. Prior to joining Delcath, he was with E-Z-EM, Inc. as Vice President and then Executive Director of International Regulatory Affairs from 2007 to 2008 and Head of Regulatory Affairs for North America and Latin America from 2008 to 2009. Prior to E-Z-EM, Inc., Mr. Purpura had an 11 year career with Sanofi-Aventis, ultimately serving as Associate Vice President for Regulatory CMC from 2005 to 2007. From 1985 to 1995, he had various quality and regulatory management roles with Bolar Pharmaceuticals, Luitpold Pharmaceuticals and Eon Labs Manufacturing. He earned his MS in Management & Policy and B.S. degrees in Chemistry and Biology at the State University of New York at Stony Brook.

Barbra Keck joined Delcath as Controller in January 2009 and promoted to Vice President in October 2009. Prior to joining Delcath, she was an audit assistant with Deloitte & Touche, LLP from August 2008 to December 2008. From June 2006 to August 2008, Ms. Keck was the Assistant to the Vice President and Dean of Baruch College, Zicklin School of Business, and from September 2005 to May 2006 she was the Donor Relations and Communications Manager for Young Audiences New York. From 2002 to 2005, Ms. Keck was the Manager, UD Arts Series at the University of Dayton, where she also served as the Manager, Arts and Cultural Events from 1999 to 2002. Between those positions, from 2002 to 2003, she was the Director of Teacher Programs at the Muse Machine. Ms. Keck served as the General Manager of Dayton Bach Society and the Manager of UD Arts Series from 1999 to 2002. She earned her MBA in Accountancy from Baruch College and Bachelor of Music in Music Education from the University of Dayton.

## EXECUTIVE COMPENSATION

### Compensation Discussion & Analysis

**Compensation Philosophy and Objectives.** Our Compensation and Stock Option Committee, or “Compensation Committee,” is responsible for formulating and establishing our overall compensation philosophy with respect to our directors, executive officers, including our named executive officers, other key employees and consultants. The Company believes that a strong management team comprised of the most talented individuals in key positions at Delcath is critical to the development and growth of the Company. Accordingly, a key objective of executive compensation is to attract and retain such individuals, while motivating them to perform and make decisions consistent with the Company’s operating goals and objectives and culture. In furtherance of this objective, we believe that it is vital that our executive compensation be performance-based, as well as competitive with compensation paid to executive officers who are similarly situated to our named executive officers, in order to align a significant portion of each executive’s total compensation with the annual and long-term performance of the Company and the interests of the Company’s stockholders.

In consideration of the Company’s new management team, retained during the last half of 2009, the Compensation Committee intends to develop more specific and individualized performance objectives, expected to include both corporate financial and strategic objectives, as well as specific performance objectives for each named executive officer, in order to enhance the Company’s compensation practices to encourage and reward our executives who achieve pre-determined milestones so as to promote our growth and increase stockholder value.

**Role of Executive Officers in Determining Compensation.** The Compensation Committee, based on input from the Company’s CEO, determines the compensation of our executive officers. The CEO assists the Compensation Committee by providing performance assessments and compensation recommendations for each of the Company’s executive officers, including the named executive officers (other than the CEO). Except for Mr. Hobbs’ negotiation with the Company prior to his employment, the CEO does not participate in the formulation or discussion of his compensation.

**Role of Compensation Consultant in 2010 Compensation Planning.** The Compensation Committee recently retained Pearl Meyer & Partners, LLC (“PM&P”), as its independent compensation consultant to assist the Committee in

evaluating executive compensation programs and setting executive officers' compensation in the future. PM&P reports directly to the Compensation Committee, and PM&P is not permitted to perform services for management unless approved by the Compensation Committee. PM&P was engaged to assist the Compensation Committee in designing and developing a short-term incentive plan and to evaluate Delcath's long-term incentive plan, specifically with respect to its competitiveness, participation, plan design and financial impact on the Company and its executives. With the engagement of PM&P, the Compensation Committee expects to obtain advice and feedback related to maintaining programs that provide compensation opportunities for executives to enable the Company to fulfill its compensation objectives set forth above.



The Compensation Committee will consider the information provided by PM&P, as well as input from members of the Board and management, when making decisions or recommendations to the full Board regarding executive compensation.

#### Elements of Executive Compensation

The three components of the compensation program for named executive officers are base salary, annual cash incentive compensation and long-term equity-based incentive awards in the form of stock options and restricted stock awards. These components are administered with the goal of providing total compensation that is competitive in the marketplace, while recognizing meaningful differences in individual performance and offering the opportunity to earn superior rewards when merited by individual and corporate performance.

The Compensation Committee's policy is to establish ranges for base salary, annual cash incentive compensation and long term, equity-based incentive awards for named executive officers, including the CEO, with consideration to the compensation paid by similarly-situated companies, which include publicly-traded companies of similar structure and stage of development in the healthcare industry as the Company. The Compensation Committee believes an understanding of the compensation practices of companies with whom the Company competes for talent is important information for purposes of determining the type and mix of compensation components and target compensation levels. Accordingly, the Compensation Committee periodically obtains and evaluates surveys used for benchmarking compensation. In 2009, the Compensation Committee used the Radford Life Sciences Survey to determine competitive market practices within the industry, and this information, in combination with other factors, such as an individual's particular expertise, and experience in and knowledge of the healthcare industry, the Company's need to secure the employment of an individual(s) having a particular skill, expertise and/or knowledge in a particular area and the number of qualified candidates available to the Company. The Compensation Committee did not attach any particular weight to the survey information or factors it considered in establishing the compensation paid to our named executive officers, rather, the Compensation Committee made its determination based on the total mix of information available to it, and the particular individual and position.

**Base salary.** Base salary is determined based on two factors. The first is an evaluation by the Compensation Committee of the salaries paid in the marketplace to executives with similar responsibilities, and the second is the executive's unique role, job performance and other circumstances. Evaluating both of these factors allows the Company to offer a competitive total compensation value to each individual executive officer taking into account the unique attributes of, and circumstances relating to, each individual, as well as marketplace factors, such as the specialized nature of the healthcare industry and the unknown elements and risks associated with employment by a development stage company. This allows the Company to meet its objective of offering a competitive total compensation value, while attracting and retaining key personnel.

Mr. Taney's base salary for 2009 was \$396,000 per year, which is the same base salary paid in 2008. Mr. Taney served as the Company's CEO from December 2006 until his resignation as of July 6, 2009.

Mr. Hobbs' base salary for 2009 was \$425,000 per year, which is the amount provided for under his employment agreement. The Compensation Committee believes that this base salary is reasonable in light of Mr. Hobbs' qualifications and the Company's need to hire a CEO with experience in the healthcare industry. Mr. Hobbs' employment was effective as of July 6, 2009. The terms of his employment agreement are discussed in the section entitled "Employment Agreements."

Mr. McDonald's base salary for 2009 was \$325,000 per year, which is the amount provided for under his employment agreement. The Compensation Committee believes that this base salary is reasonable in light of Mr. McDonald's qualifications and the Company's need to hire a CFO with experience in the healthcare industry. Mr. McDonald's employment was effective as of September 14, 2009. The terms of his employment agreement are discussed in the

section entitled "Employment Agreements."

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Dr. Kandarpa's base salary for 2009 was \$375,000 per year, which is the amount provided for under his employment agreement. The Compensation Committee believes that this base salary is reasonable in light of Dr. Kandarpa's qualifications and the Company's need to hire a Chief Medical Officer to guide the development of the Delca