

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-QSB

Quarterly report under Section 13 or 15(d) of the Securities Exchange Act of 1934 For the quarterly period ended June 30, 2005

Transition report under Section 13 or 15(d) of the Securities Exchange Act of 1934 For the transition period from _____ to _____

Commission file number: 001-16133

DELICATH SYSTEMS, INC.

(Exact Name of Small Business Issuer as Specified in Its Charter)

Delaware

06-1245881

State or Other Jurisdiction of
Incorporation or Organization)

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

1100 Summer Street, 3rd Floor, Stamford, CT 06905

(Address of Principal Executive Offices)

(203) 323-8668

(Issuer's Telephone Number, Including Area Code)

N/A

(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

As of August 8, 2005, 16,573,965 shares of the Issuer's common stock, \$0.01 par value, were issued and outstanding.

Transitional Small Business Disclosure Format (check one): Yes _____ No

DELICATH SYSTEMS, INC.

Index

Page No.

Part I. FINANCIAL INFORMATION

Item 1. Condensed Financial Statements (Unaudited)

Balance Sheet - June 30, 2005	3
Statements of Operations for the Three and Six Months Ended June 30, 2005 and 2004 and Cumulative from Inception (August 5, 1988) to June 30, 2005	4
Statements of Cash Flows for the Six Months Ended June 30, 2005 and 2004 and Cumulative from Inception (August 5, 1988) to June 30, 2005	5
Notes to Condensed Financial Statements	6

Item 2. Management's Discussion and Analysis or Plan of Operation	9
---	---

Item 3. Controls and Procedures	11
---------------------------------	----

Part II. OTHER INFORMATION

Item 2. Unregistered Sales of Equity Securities	11
---	----

Item 4. Submission of Matters to a Vote of Security Holders	12
---	----

Item 6. Exhibits	12
------------------	----

Delcath Systems, Inc.
(A Development Stage Company)
Balance Sheet
(Unaudited)
June 30, 2005

Assets		June 30, 2005

Current assets:		
Cash and cash equivalents	\$	830,597
Certificate of deposit		5,047,077
Interest receivable		82,934
Prepaid insurance		19,278

Total current assets		5,979,884
Furniture and fixtures, net		10,576

Total assets	\$	5,990,462
=====		
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable and accrued expenses	\$	430,328

Total current liabilities		430,328

Stockholders' equity		
Common stock, \$0.01 par value, 70,000,000 shares authorized		155,044
Additional paid-in capital		29,916,049
Deficit accumulated during development stage		(24,510,959)

Total stockholders' equity		5,560,134

Total liabilities and stockholders' equity	\$	5,990,462
=====		

See accompanying notes to condensed financial statements

Delcath Systems, Inc.
(A Development Stage Company)
Statements of Operations
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,		Cumulative From Inception (August 5, 1988) to June 30, 2005
	2005	2004	2005	2004	
Costs and expenses:					
General and administrative expenses	\$ 292,145	\$ 278,644	\$ 707,403	\$ 507,288	\$ 7,778,264
Research and development costs	382,806	584,334	934,167	1,072,174	16,250,396
	-----	-----	-----	-----	-----
Total costs and expenses	674,951	862,978	1,641,570	1,579,462	24,028,660
	-----	-----	-----	-----	-----
Operating loss	(674,951)	(862,978)	(1,641,570)	(1,579,462)	(24,028,660)
Other income (expense):					
Interest income	49,867	36,353	101,159	43,303	1,187,779
Interest expense	-	-	-	-	(171,473)
	-----	-----	-----	-----	-----
Net loss	\$ (625,084)	\$ (826,625)	\$ (1,540,411)	\$ (1,536,159)	\$ (23,012,354)
	=====	=====	=====	=====	=====
Common share data:					
Basic and diluted loss per share	\$ (0.04)	\$ (0.07)	\$ (0.10)	\$ (0.14)	
	=====	=====	=====	=====	
Weighted average number of shares of common stock outstanding	15,491,060	11,520,573	15,424,912	10,663,100	
	=====	=====	=====	=====	

See accompanying notes to condensed financial statements

DEL CATH SYSTEMS, INC.
(A Development Stage Company)
Statements of Cash Flows
(Unaudited)

	Six Months Ended June 30,		Cumulative from inception (August 5, 1988) to June 30, 2005
	2005	2004	
Cash flows from operating activities:			
Net loss	\$ (1,540,411)	\$ (1,536,159)	\$ (23,012,354)
Adjustments to reconcile net loss to net cash used in operating activities			
Stock option compensation expense	-	-	2,525,392
Stock and warrant compensation expense issued for consulting services	-	-	236,286
Depreciation expense	3,030	2,496	34,722
Amortization of organization costs	-	-	42,165
Changes in assets and liabilities:			
Decrease (increase) in prepaid expenses	28,538	6,434	(19,278)
(Increase) in interest receivable	(50,048)	(11,380)	(82,931)
(Decrease) increase in accounts payable and accrued expenses	(134,298)	264,200	430,327
Net cash used in operating activities	(1,693,188)	(1,274,409)	(19,845,671)
Cash flows from investing activities:			
Purchase of furniture and fixtures	-	-	(45,300)
Purchase of short-term investments	(1,047,077)	(2,000,000)	(12,016,781)
Proceeds from maturities of short-term investments	3,055,129	1,014,575	6,969,704
Organization costs	-	-	(42,165)
Net cash provided by (used in) investing activities	2,008,052	(985,425)	(5,134,542)
Cash flows from financing activities:			
Net proceeds from sale of stock and exercise of stock options and warrants	313,398	3,617,852	24,656,484
Repurchases of outstanding common stock	-	-	(51,103)
Dividends paid	-	-	(499,535)
Proceeds from short-term borrowings	-	-	1,704,964
Net cash provided by financing activities	313,398	3,617,852	25,810,810
Increase in cash and cash equivalents	628,262	1,358,018	830,597
Cash and cash equivalents at beginning of period	202,335	313,615	-
Cash and cash equivalents at end of period	\$ 830,597	\$ 1,671,633	\$ 830,597
Cash paid for interest	\$ -	\$ -	\$ 171,473
Supplemental disclosure of non-cash activities:			
Conversion of debt to common stock	\$ -	\$ -	\$ 1,704,964
Common stock issued for preferred stock dividends	\$ -	\$ -	\$ 999,070
Conversion of preferred stock to common stock	\$ -	\$ -	24,167
Common stock issued as compensation for stock sale	\$ -	\$ -	\$ 510,000

See accompanying notes to condensed financial statements

Delcath Systems, Inc.
(A Development Stage Company)

Notes to Condensed Financial Statements

Note 1: Description of Business

Delcath Systems, Inc. (the "Company") is a development stage company which was founded in 1988 for the purpose of developing and marketing a proprietary drug delivery system capable of introducing, and removing, high dose chemotherapy agents to a diseased organ while greatly inhibiting their entry into the general circulation system. It is hoped that the procedure will result in a meaningful treatment for cancer. In November 1989, the Company was granted an IDE (Investigational Device Exemption) and an IND (Investigational New Drug) for its product by the FDA (Food and Drug Administration). The Company is seeking to complete clinical trials in order to obtain separate FDA pre-market approvals for the use of its delivery system using doxorubicin and melphalan, chemotherapeutic agents, to treat malignant melanoma that has spread to the liver.

Note 2: Basis of Presentation

The accompanying financial statements are unaudited and have been prepared by the Company in accordance with accounting principles generally accepted in the United States of America. Certain information and footnote disclosures normally included in the Company's annual financial statements have been condensed or omitted. The interim financial statements, in the opinion of management, reflect all adjustments (consisting of normal recurring accruals) necessary for a fair statement of the results for the interim periods ended June 30, 2005 and 2004 and cumulative from inception (August 5, 1988) to June 30, 2005.

The results of operations for the interim periods are not necessarily indicative of the results of operations to be expected for the fiscal year. These interim financial statements should be read in conjunction with the audited financial statements and notes thereto for the year ended December 31, 2004, which are contained in the Company's Annual Report on Form 10-KSB for the year ended December 31, 2004 as filed with the Securities and Exchange Commission.

Note 3: Research and Development Costs

Research and development costs include the costs of materials, personnel, outside services and applicable indirect costs incurred in development of the Company's proprietary drug delivery system. All such costs are charged to expense when incurred.

Note 4: Stockholders' Equity

During the six months ended June 30, 2005, the Company received net proceeds of \$43,108 (\$1.022 per share) upon the exercise of 8,436 of the Representative Unit Purchase Warrants that were issued to underwriters as part of the 2003 public offering. This resulted in the issuance of 42,180 shares of common stock together with a similar amount of Representative's Common Stock Warrants. In addition, 157,180 Representative's Common Stock Warrants were exercised (\$1.28 per share) with a similar amount of common stock being issued and receipt of net proceeds of \$202,191.

The Company received a net amount of \$68,100 upon the exercise of 90,000 in stock options during the six months ended June 30, 2005. 60,000 options were exercised at a price of \$0.71 per share and 30,000 were exercised at a price of \$0.85 per share.

The following table sets forth changes in stockholders' equity during the six months ended June 30, 2005:

	Common Stock, \$0.01 Par Value Issued and Outstanding		Additional Paid in Capital	Deficit Accumulated During Development Stage	Total
	No. of shares	Amount			
Balance at December 31, 2004	15,215,085	\$152,151	\$29,605,543	\$(22,970,548)	\$ 6,787,146
Issuance of common stock in connection with the exercise of 2003 Representative's Unit Warrants	42,180	422	42,686	-	43,108
Issuance of common stock in connection with the exercise of Representative's Common Stock Warrants	157,180	1,571	200,620	-	202,191
Issuance of common stock in connection with the exercise of stock options	90,000	900	67,200	-	68,100
Net loss for six months ended June 30, 2005	-	-	-	(1,540,411)	(1,540,411)
Balance at June 30, 2005	15,504,445	\$155,044	\$29,916,049	\$(24,510,959)	\$ 5,560,134

Note 5: Stock Option Plan

The Company has historically accounted for its employee stock option plans in accordance with the provisions of Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations. As such, compensation expense is recorded on the date of grant only if the current fair market value of the underlying stock exceeds the exercise price.

Statement of Financial Accounting Standards ("SFAS") No. 123, "Accounting for Stock-Based Compensation" permits entities to recognize as expense over the vesting period the fair value of all stock-based awards on the date of grant. Alternatively, SFAS No. 123 also allows entities to continue to apply the provisions of APB Opinion No. 25 and provide pro forma net income (loss) and pro forma earnings (loss) per share disclosures for employee stock option grants as if the fair-value-based method defined in SFAS No. 123 had been applied. The Company has elected to continue to apply the provisions of APB Opinion No. 25 and provide the pro forma disclosure required by SFAS No. 123.

Following the methodology of SFAS No. 123 regarding compensation costs based on the fair value for all employee stock option grants, the net loss and net loss per share for the three and six months ended June 30, 2005 and 2004 would have been increased to the pro forma amounts indicated as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2005	2004	2005	2004
Net loss, as reported	\$ (625,084)	\$ (826,625)	\$(1,540,411)	\$ (1,536,159)
Stock-based employee compensation expense included in net loss, net of related tax effects	0	0	0	0
Stock-based employee compensation determined under the fair value based method, net of related tax effects	(17,618)	(25,392)	(35,235)	(50,783)
Pro forma net loss	<u>(642,702)</u>	<u>(852,017)</u>	<u>(1,575,646)</u>	<u>(1,586,942)</u>
Loss per share (basic and diluted):				
As reported	\$ (0.04)	\$ (0.07)	\$ (0.10)	\$ (0.14)
Pro forma	(0.04)	(0.07)	(0.10)	(0.15)

In December 2004, the FASB issued SFAS No. 123 (Revised 2004) ("SFAS No. 123(R)") "Share-based Payment," that will require the Company to expense costs related to share-based payment transaction with employees. With limited exceptions, SFAS No. 123(R) requires that the fair value of share-based payments to employees be expensed over the period service is received and eliminates the ability to account for these instruments under the intrinsic value method prescribed by APB No. 25 and allowed under the original provisions of SFAS No. 123. SFAS No. 123(R) becomes mandatorily effective for the Company on January 1, 2006. SFAS No. 123(R) allows for either prospective recognition of compensation expense or retrospective recognition, which may be back to the original issuance of SFAS No. 123 or only to interim periods in the year of adoption. The Company is currently evaluating these transition methods.

SFAS No. 123(R) allows the use of both closed form models (e.g., Black-Scholes Model) and open form models (e.g., lattice models) to measure the fair value of the share-based payment as long as that model is capable of incorporating all of the substantive characteristics unique to share-based awards. In accordance with the transition provisions of SFAS No. 123(R), the expense attributable to an award will be measured in accordance with the Company's measurement model at that award's date of grant.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

(a) Plan of Operation

FORWARD LOOKING STATEMENTS

This report contains forward-looking statements which are subject to certain risks and uncertainties that can cause actual results to differ materially from those described. Factors that may cause such differences include, but are not limited to, uncertainties relating to our ability to successfully complete Phase III clinical trials and secure regulatory approval of our current or future drug-delivery system and uncertainties regarding our ability to obtain financial and other resources for any research, development and commercialization activities. These factors, and others, are discussed from time to time in our filings with the Securities and Exchange Commission. You should not place undue reliance on these forward-looking statements, which speak only as of the date they are made. We undertake no obligation to publicly update or revise these forward-looking statements to reflect events or circumstances after the date they are made.

OVERVIEW

Since our founding in 1988 by a team of physicians, we have been a development stage company engaged primarily in developing and testing the Delcath system for the treatment of liver cancer. A substantial portion of our historical expenses have been for the development of our medical device and the clinical trials of our product, and the pursuit of patents worldwide. We expect to continue to incur significant losses from costs for product development, clinical studies, securing patents, regulatory activities, manufacturing and establishment of a sales and marketing organization without any significant revenues. A detailed description of the cash used to fund historical operations is in the financial statements and the notes thereto. Without an FDA-approved product and commercial sales, we will continue to be dependent upon existing cash and the sale of equity or debt to fund future activities. While the amount of future net losses and time required to reach profitability are uncertain, our ability to generate significant revenue and become profitable will depend on our success in commercializing our device.

During 2001, Delcath initiated the clinical trial of the system for isolated liver perfusion using the chemotherapeutic agent melphalan. A Phase I trial at the National Cancer Institute marked an expansion in the potential labeled usage beyond doxorubicin, the chemotherapeutic agent used in our initial clinical trials. Enrollment of new patients in the Phase I trial was completed in 2003 and following the 2004 presentation and adoption of a Phase II clinical trial protocol for three types of cancer in the liver, patients are being enrolled and treated. This study involves patients with primary liver cancer, neuroendocrine tumors and metastatic adenocarcinomas in the liver, including liver metastasis from colorectal cancer.

In May 2005, Delcath announced that it received "fast-track" status from the FDA for treating metastatic melanoma in the liver with melphalan. The FDA's fast-track program is designed to facilitate development and expedite the review of new drugs or, in the case of Delcath, a new drug-device combination, having the potential to treat illnesses which currently lack adequate therapy.

During 2004, we commenced a Phase III clinical trial in Australia to proceed with study of the Delcath drug delivery system for inoperable cancer in the liver using doxorubicin. We are currently in discussions with additional sites worldwide to expand this trial.

Over the next 12 months, we expect to continue to incur substantial expenses related to the research and development of our technology, including Phase III clinical trials using doxorubicin with the Delcath system and Phase II clinical trials using melphalan with the Delcath system. Additional funds, when available, will be

committed to pre-clinical and clinical trials for the use of other chemotherapy agents with the Delcath system for the treatment of liver cancer, and for the development of additional products and components. We will also continue efforts to qualify additional sources of the key components of our device, in an effort to further reduce manufacturing costs and minimize dependency on a single source of supply.

Liquidity and Capital Resources

Our available funds will be sufficient to meet our anticipated needs for working capital and capital expenditures at least through the end of 2006. The Company is not projecting any capital expenditures that will significantly affect the Company's liquidity during the next 12 months. The Company is projecting the hiring of two additional employees.

Our future liquidity and capital requirements will depend on numerous factors, including the progress of our research and product development programs, including clinical studies; the timing and costs of making various United States and foreign regulatory filings, obtaining approvals and complying with regulations; the timing and effectiveness of product commercialization activities, including marketing arrangements overseas; the timing and costs involved in preparing, filing, prosecuting, defending and enforcing intellectual property rights; and the effect of competing technological and market developments.

The Company's future results are subject to substantial risks and uncertainties. The Company has operated at a loss for its entire history and there can be no assurance of its ever achieving consistent profitability. The Company believes its capital resources are adequate to fund operations for at least the next twelve months but anticipates that it will require additional working capital after 2006. There can be no assurance that such working capital will be available on acceptable terms, if at all.

During the six months ended June 30, 2005, the Company had exercises of previously issued warrants together with exercises of stock options. Please see Note 4 to the June 30, 2005 Condensed Financial Statements included in Part I of this filing and incorporated herein by reference for a complete description of share issuances together with receipt of proceeds. We plan to use the net proceeds to fund, in part, the Phase III clinical trial using doxorubicin and the Phase II clinical trial at NCI using melphalan.

Application of Critical Accounting Policies

The Company's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. Certain accounting policies have a significant impact on amounts reported in the financial statements. A summary of those significant accounting policies can be found in Note 1 to the Company's financial statements contained in the Company's Annual Report on Form 10-KSB for the year ended December 31, 2004 as filed with the Securities and Exchange Commission. The Company has not adopted any significant new accounting policies or modified the application of existing policies during the six months ended June 30, 2005.

(b) Management's Discussion and Analysis of Financial Condition and Results of Operations

Not Applicable.

(c) Off-balance sheet arrangements

The Company does not have any off-balance sheet arrangements.

Item 3. CONTROLS AND PROCEDURES

Based on an evaluation of the Company's disclosure controls and procedures performed by the Company's Chief Executive Officer and its Chief Financial Officer as of the end of the period covered by this report, the Company's Chief Executive Officer and its Chief Financial Officer concluded that the Company's disclosure controls and procedures have been effective.

As used herein, "disclosure controls and procedures" means controls and other procedures of the Company that are designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Securities Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms issued by the Securities and Exchange Commission. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Securities Exchange Act is accumulated and communicated to the Company's management, including its principal executive officer or officers and its principal financial officer or officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Since the date of the evaluation described above, there were no significant changes in the Company's internal controls or in other factors that could significantly affect these controls, and there were no corrective actions with regard to significant deficiencies and material weaknesses.

PART II OTHER INFORMATION

Item 2. UNREGISTERED SALES OF EQUITY SECURITIES

On August 4 and August 5, 2005, the Company sold an aggregate of 1,069,520 shares of its Common Stock upon exercise of all of its then outstanding Series B Warrants to Purchase Shares of Common Stock dated November 24, 2004 (the "Series B Warrants"). Based on the exercise price of \$2.60 for each of the Series B Warrants, the Company received an aggregate of \$2,780,752 upon such exercises. The Company claims an exemption from registration of the offer and sale of the shares of Common Stock issued upon exercise of the Series B Warrants under Rule 506 under the Securities Act of 1933 on the basis that each of the purchasers is an accredited investor. The resale of these shares is covered by an effective Registration Statement under the Securities Act of 1933.

No underwriter was involved in the exercise of the Series B Warrants, and the Company paid no underwriting discount or commission in connection therewith.

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

On June 14, 2005, the Company held its 2005 Annual Meeting of Stockholders. At the meeting, the stockholders voted on the election of two Class II directors of the Company to hold office until the Annual Meeting of Stockholders in 2008 and until their successors are duly elected and qualified.

The stockholders voted 12,652,834 shares in favor of electing M. S. Koly to serve as a Class II director and withheld authority to vote 21,303 shares. The stockholders voted 12,652,998 shares in favor of electing Samuel Herschkowitz, M.D. to serve as a Class II director and withheld authority to vote 21,139 shares. The term of office of each of Mark A. Corigliano and Victor Nevins as Class III directors will continue until the Annual Meeting of Stockholders in 2006. The term of office of Daniel Isdane as a Class I director will continue until the Annual Meeting of Stockholders in 2007.

Item 6. EXHIBITS

- 3(i). Certificate of Incorporation, as amended to June 30, 2005.
- 4. Warrant Agreement dated as of July 22, 2005 between the Company and American Stock Transfer & Trust Company, as warrant agent, together with the form of 2005 Redeemable Common Stock Purchase Warrants - Series A.
- 10.1 Employment Agreement between the Company and M. S. Koly, as amended by Amendment No. 1 thereto.
- 10.2 Form of Incentive Stock Option Agreement under the Company's 2004 Stock Incentive Plan.
- 10.3 Form of Nonqualified Stock Option Agreement under the Company's 2004 Stock Incentive Plan.
- 10.4 Form of Stock Grant Agreement under the Company's 2004 Stock Incentive Plan.
- 31.1 Certification by Chief Executive Officer Pursuant to Rule 13a-14.
- 31.2 Certification by Chief Financial Officer Pursuant to Rule 13a-14.
- 32.1 Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.2 Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

SIGNATURES

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

DELCATH SYSTEMS, INC.
(Registrant)

August 11, 2005

/s/ PAUL M. FEINSTEIN

Paul M. Feinstein
Chief Financial Officer (on behalf of
the registrant and as the principal
financial and accounting officer of the
registrant)

13.

EXHIBIT INDEX

- 3(i). Certificate of Incorporation, as amended to June 30, 2005.
- 4. Warrant Agreement dated as of July 22, 2005 between the Company and American Stock Transfer & Trust Company, as warrant agent, together with the form of 2005 Redeemable Common Stock Purchase Warrants - Series A.
- 10.1 Employment Agreement between the Company and M. S. Koly, as amended by Amendment No. 1 thereto.
- 10.2 Form of Incentive Stock Option Agreement under the Company's 2004 Stock Incentive Plan.
- 10.3 Form of Nonqualified Stock Option Agreement under the Company's 2004 Stock Incentive Plan.
- 10.4 Form of Stock Grant Agreement under the Company's 2004 Stock Incentive Plan.
- 31.1 Certification by Chief Executive Officer Pursuant to Rule 13a-14.
- 31.2 Certification by Chief Financial Officer Pursuant to Rule 13a-14.
- 32.1 Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

STATE OF DELAWARE
CERTIFICATE OF CORRECTION

The corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware:

DOES HEREBY CERTIFY:

1. The name of the corporation is: Delcath Systems, Inc.

2. That a Certificate of Amendment of Amended and Restated Certificate of Incorporation (the "Certificate of Amendment") was filed by the Secretary of State Delaware on June 16, 2004 and that said Certificate of Amendment requires correction as permitted by Section 103 of the General Corporation Law of the State of Delaware.

3. The inaccuracy or defect of said Certificate of Amendment to be corrected is as follows: Paragraph SECOND indicated that the first paragraph of Article FOURTH of the Amended and Restated Certificate of Incorporation of the Corporation was to be deleted and a new first paragraph of Article FOURTH increasing the total number of authorized shares from forty-five million to eighty million was to be substituted in lieu thereof. The number of authorized shares was incorrectly spelled out as forty-five million but was correctly set forth in numerals as (80,000,000).

4. Article SECOND of the Certificate is corrected to read as follows:

SECOND. The Amended and Restated Certificate of Incorporation of the Corporation is hereby amended by deleting the first paragraph of Article FOURTH in its entirety and replacing it with the following:

"FOURTH. The total number of all classes of shares of stock which the Corporation shall have authority to issue is eighty million (80,000,000) shares, consisting of ten million (10,000,000) shares of Preferred Stock with a par value of \$.01 per share, and seventy million (70,000,000) shares of Common Stock with a par value of \$0.01 per share."

IN WITNESS WHEREOF, said Corporation has caused this certificate to be signed by M. S. Koly, an Authorized Officer, this 25 day of May, A.D. 2005.

By: /s/ M. S. KOLY

Authorized Officer
Name: M. S. KOLY

Print or Type
Title: President and Chief Executive Officer

CERTIFICATE OF AMENDMENT
OF
AMENDED AND RESTATED
CERTIFICATE OF INCORPORATION
OF
DELCATH SYSTEMS, INC.

DELCATH SYSTEMS, INC. (the "Corporation"), a corporation organized and existing under the laws of the State of Delaware, does hereby certify as follows:

FIRST: The name of the Corporation is "Delcath Systems, Inc." and the Corporation was incorporated upon the filing of its original certificate of incorporation on August 5, 1988.

SECOND: The Amended and Restated Certificate of Incorporation of the Corporation is hereby amended by deleting the first paragraph of Article FOURTH in its entirety and replacing it with the following:

"FOURTH: The total number of all classes of shares of stock which the Corporation shall have authority to issue is forty-five million (80,000,000) shares, consisting of ten million (10,000,000) shares of Preferred Stock with a par value of \$.01 per share, and seventy million (70,000,000) shares of Common Stock with a par value of \$0.01 per share."

THIRD: This Amendment to the Amended and Restated Certificate of Incorporation of the Corporation has been duly adopted in accordance with the provisions of Sections 141 and 242 of the General Corporation Law of the State of Delaware by the unanimous vote of the Board of Directors of the Corporation and by a majority of the outstanding stock entitled to vote, and a majority of the outstanding stock of each class entitled to vote as a class, voted in favor of the amendment at the annual meeting of stockholders of the Corporation held on June 15, 2004.

[Signature Page Follows]

IN WITNESS WHEREOF, the Corporation has caused this Certificate to be signed by M. S. Koly, its President and Chief Executive Officer, as of June 15, 2004. The undersigned acknowledges pursuant to Section 103 of the General Corporation Law of the State of Delaware that he executed this Certificate as the free act and deed of the Corporation and that all facts stated herein are true.

DELCATH SYSTEMS, INC.

By: /s/ M. S. KOLY

M. S. Koly
President and Chief Executive Officer

CERTIFICATE OF AMENDMENT
OF
AMENDED AND RESTATED
CERTIFICATE OF INCORPORATION
OF
DELCATH SYSTEMS, INC.

DELCATH SYSTEMS, INC. (the "Corporation"), a corporation organized and existing under the laws of the State of Delaware, does hereby certify as follows:

FIRST: The name of the Corporation is "Delcath Systems, Inc." and the Corporation was incorporated upon the filing of its original certificate of incorporation on August 5, 1988.

SECOND: The Amended and Restated Certificate of Incorporation of the Corporation is hereby amended by deleting the first paragraph of Article FOURTH in its entirety and replacing it with the following:

"FOURTH: The total number of all classes of shares of stock which the Corporation shall have authority to issue is forty-five million (45,000,000) shares, consisting of ten million (10,000,000) shares of Preferred Stock with a par value of \$.01 per share, and thirty-five million (35,000,000) shares of Common Stock with a par value of \$.01 per share."

THIRD: This Amendment to the Amended and Restated Certificate of Incorporation of the Corporation has been duly adopted in accordance with the provisions of Sections 141 and 242 of the General Corporation Law of the State of Delaware by the unanimous vote of the Board of Directors of the Corporation and by a majority of the outstanding stock entitled to vote, and a majority of the outstanding stock of each class entitled to vote as a class, voted in favor of the amendment at a special meeting held on January 31, 2003 for that purpose.

[Signature Page Follows]

IN WITNESS WHEREOF, the Corporation has caused this Certificate to be signed by M. S. Koly, its President and Chief Executive Officer, as of January 31, 2003. The undersigned acknowledges pursuant to Section 103 of the General Corporation Law of the State of Delaware that he executes this Certificate as the free act and deed of the Corporation and that all facts stated herein are true.

DELCATH SYSTEMS, INC.

By: /s/ M. S. Koly

M. S. Koly
President and Chief Executive
Officer

AMENDED AND RESTATED
CERTIFICATE OF INCORPORATION
OF
DELCATH SYSTEMS, INC.

FIRST: The name of the corporation is Delcath Systems, Inc.

SECOND: The address, including street, number, city and county of the registered office of the Corporation in the State of Delaware is 229 South State Street, City of Dover, County of Kent; and the name of the registered agent of the Corporation in the State of Delaware at such address is the Corporation Service Company.

THIRD: The nature of the business and the purposes to be conducted and promoted by the Corporation shall be to conduct any lawful business, to promote any lawful purpose, and to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of the State of Delaware.

FOURTH: The total number of all classes of shares of stock which the corporation shall have authority to issue is twenty-five million (25,000,000) shares, consisting of ten million (10,000,000) shares of Preferred Stock with a par value of \$.01 per share, and fifteen million (15,000,000) shares of Common Stock with a par value of \$.01 per share, amounting in the aggregate to two hundred and fifty thousand dollars (\$250,000).

The designation and powers, rights and preferences, and the qualifications, limitation, or restrictions with respect to each class or series of such class of the stock of the Corporation shall be as determined by resolution of the Board of Directors from time to time.

FIFTH: The corporation is to have perpetual existence.

SIXTH: For the management of the business and for the conduct of the affairs of the Corporation, and in further definition, limitation, and regulation of the powers of the Corporation and of its directors and of its stockholders or any class thereof, as the case may be, it is further provided:

1. The management of the business and the conduct of the affairs of the Corporation shall be vested in its Board of Directors. The number of directors shall be determined by affirmative vote of a majority of the Board of Directors, but shall be not less than three (3).

2. The directors shall be divided into three classes, designated Class I, Class II and Class III. Each class shall consist, as nearly as may be possible, of one-third of the total number of directors constituting the entire Board of Directors. The term of the initial Class I directors shall terminate on the date of the 2001 annual meeting of stockholders; the term of the initial Class II directors shall terminate on the date of the 2002 annual meeting of stockholders and the term of the Class III directors shall terminate on the date of the 2003 annual meeting of stockholders. At each annual meeting of stockholders beginning in 2001, successors to the class of directors whose term expires at that annual meeting shall be elected for a three-year term. If the number of directors is changed, any increase or decrease in directorships shall be apportioned among the classes so as to maintain the number of directors in each class as nearly equal as possible, and any additional directors of any class elected to fill a vacancy resulting from an increase in such class shall hold office for a term that shall coincide with the remaining term of that class, but in no case will a decrease in the number of directors shorten the term of any incumbent director. Directors shall hold office until the annual meeting for the year in which their terms expire and until their successors shall be elected and shall qualify, subject, however, to prior death, resignation, retirement, disqualification or removal from office. A majority of total directors shall constitute a quorum for the transaction of business. Except as otherwise required by law, any vacancy on the Board of Directors, however resulting, may be filled only by the affirmative vote of a majority of the remaining directors then in office even if less than a quorum. Any director elected to fill a vacancy shall hold office for a term that shall coincide with the remaining term of that class.

3. Notwithstanding the foregoing, whenever the holders of any one or more classes or series of Preferred Stock issued by the Corporation shall have the right, voting separately by class or series, to elect directors at an annual or special meeting of stockholders, the election, term of office, filling of vacancies and features of such directorships shall be governed by the terms of this Certificate of Incorporation or the resolution or resolutions adopted by the Board of Directors applicable thereto, and such directors so elected shall not be divided into classes pursuant to this Article unless expressly provided by such terms.

4. Subject to the rights, if any, of the holders of shares of Preferred Stock then outstanding, any or all of the directors of the Corporation may be removed from office at any time, with or without cause, by affirmative vote of two-thirds of the directors then in office or for cause only by the affirmative vote of the holders of at least eighty percent (80%) of the outstanding stock of the Corporation then entitled to vote generally for the election of directors, considered for purposes of this Article as one class.

5. The power to adopt, amend, or repeal the By-Laws of the Corporation may be exercised by the affirmative vote of a majority of the Board of Directors of the Corporation. In addition, the By-Laws may be amended by the stockholders, except that Articles II, III, IV, V, VI and IX of the By-Laws shall not be altered, amended or repealed by the stockholders, and no provision inconsistent therewith shall be adopted by the stockholders, without the affirmative vote of at least eighty percent (80%) of the outstanding stock of the Corporation entitled to vote thereon.

6. The Board of Directors shall have the power, when considering a tender offer or merger or acquisition proposal, to take into account any and all factors that the Board of Directors determines to be relevant, including, but not limited to the following:

(a) the interests of the Corporation's stockholders, including the possibility that these interests might be best served by the continued independence of the Corporation;

(b) whether the proposed transaction might violate federal or state laws;

(c) not only the consideration being offered in the proposed transaction, in relation to the then current market price for the outstanding capital stock of the Corporation, but also to the market price for the capital stock of the Corporation over a period of years, the estimated price that might be achieved in a negotiated sale of the Corporation as a whole or in part or through orderly liquidation, the premiums over market price for the securities of other corporations in similar transactions, current political, economic and other factors bearing on securities prices and the Corporation's financial condition and future prospects; and

(d) the social, legal and economic effects upon employees, suppliers, customers, creditors and others having similar relationships with the Corporation, upon the communities in which the Corporation conducts its business and upon the economy of the state, region and nation.

7. The holders of shares of any class having the right to cast 10% or more of the votes which may be cast on any matter at a meeting of stockholders shall have the right to call a special meeting of stockholders by delivering to the President or Secretary of the Corporation a notice demanding that a special meeting be called as soon as practicable after the delivery of such notice.

SEVENTH: No person serving as a director of the Corporation shall be personally liable to the Corporation or its stockholders for breach of his or her fiduciary duty as a director; provided, however, that the foregoing shall not eliminate or limit the liability of a director of the Corporation (i) for any breach of the director's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the Delaware General Corporation Law, or (iv) for any transaction from which the director derived an improper personal benefit.

EIGHTH: The Corporation shall, to the fullest extent permitted by Section 145 of the General Corporation Law of the State of Delaware, as the same may be amended and supplemented, indemnify (and advance expenses to) any and all persons who it shall have power to indemnify (and advance expenses to) under said section from and against any and all of the expenses, liabilities, or other matters referred to in or covered by said section, and the indemnification and advancement provided for herein shall not be deemed exclusive of any other rights to which those indemnified may be entitled under any By-law, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in his official capacity and as to action in another capacity while holding such office, and shall continue as to a person who has ceased to be a director, officer, employee, or agent and shall inure to the benefit of the heirs, executors, and administrators of such a person.

NINTH: Annual meetings of the stockholders shall be held on the date set in the Corporation's By-Laws. Any stockholder who desires to present a proposal or other matter or to nominate any person for election to the Board of Directors at an annual meeting of stockholders shall be entitled to present such proposal, matter or nomination at the annual meeting only if such stockholder notifies the Corporation, in writing, signed by the stockholder or stockholders submitting the notice, addressed to the Secretary of the Corporation, describing in detail the proposal or other matter to be presented and, in the case of nomination of a director, specifically identifying the person or persons such stockholder is nominating, sent by and delivery, overnight delivery or certified mail, return receipt requested, and such notice is received by the Secretary or President of the Corporation not less than one hundred and twenty (120) calendar days before the date of the Corporation's proxy statement released to the stockholders in connection with the previous year's annual meeting. In the event the Corporation did not hold an annual meeting the previous year, or if the date of the current year's annual meeting has been changed by more than thirty (30) calendar days from the date of the previous year's meeting, such notice must be received by the Secretary or President not less than sixty (60) days before the date set for the current year's meeting.

TENTH: From time to time any of the provisions of this certificate of incorporation may be amended, altered, or repealed, and other provisions authorized by the laws of the State of Delaware at the time in force may be added or inserted in the manner and at the time prescribed by said laws, and all rights at any time conferred upon the stockholders of the Corporation by this certificate of incorporation are granted subject to the provision of this Article TENTH, except that Articles SIXTH, SEVENTH, EIGHTH, NINTH and this Article TENTH shall not be altered, amended or repealed and no provision inconsistent therewith shall be adopted without the affirmative vote of the holders of at least eighty percent (80%) of the voting power of all the stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class.

IN WITNESS WHEREOF, DELCATH SYSTEMS, INC. has caused this Amended and Restated Certificate of Incorporation to be executed and acknowledged by M. S. Koly, its President and CEO this 28th day of September, 2000.

DELCATH SYSTEMS, INC.

By: /s/ M. S. KOLY

 M. S. Koly, President and CEO

DELCATH SYSTEMS, INC.

a Delaware corporation

and

AMERICAN STOCK TRANSFER & TRUST COMPANY
Warrant Agent

WARRANT AGREEMENT

WARRANT AGENT AGREEMENT dated as of July 22, 2005, by and between Delcath Systems, Inc., a Delaware corporation (the "Company") and American Stock Transfer & Trust Company, as warrant agent (the "Warrant Agent").

WHEREAS, the Company proposes to make an offer to the holders of the 1,200,000 outstanding Redeemable Common Stock Purchase Warrants issued by the Company in connection with its initial public offering in 2000 (the "2000 Warrants") to exchange any or all of the 2000 Warrants for an equal number of new warrants to be designated "2005 Redeemable Common Stock Purchase Warrants - Series A" (the "Warrants"), each warrant giving the holder thereof the right to purchase one share of the Company's Common Stock, par value \$0.01 per share (the "Common Stock");

WHEREAS, the Company desires the Warrant Agent to act on behalf of the Company, and the Warrant Agent is willing to so act, in connection with the issuance, registration, transfer, exchange and exercise of the Warrants;

NOW, THEREFORE, in consideration of the premises and the mutual agreements herein set forth, the parties hereto agree as follows:

Section 1. Appointment of Warrant Agent. The Company hereby appoints the Warrant Agent to act as Warrant Agent for the Company in accordance with the instructions hereinafter set forth in this Agreement, and the Warrant Agent hereby accepts such appointment.

Section 2. Form of Warrant. The text of the Warrants and of the form of election to purchase Common Stock to be printed on the reverse thereof shall be substantially as set forth in Exhibit A attached hereto. Each Warrant shall entitle the registered holder thereof to purchase one share of Common Stock at a purchase price of Two Dollars and Seventy-Five Cents (\$2.75), at any time commencing on the date of

2

issuance thereof until 5:00 p.m. Eastern time, on December 31, 2005 (the "Warrant Exercise Period"). The warrant price and the number of shares of Common Stock issuable upon exercise of the Warrants are subject to adjustment upon the occurrence of certain events, all as hereinafter provided. The Warrants shall be executed on behalf of the Company by the manual or facsimile signature of the present or any future Chief Executive Officer, President or Vice President of the Company, attested to by the manual or facsimile signature of the present or any future Secretary, Assistant Secretary or Chief Financial Officer of the Company.

Warrants shall be dated as of the issuance by the Warrant Agent either upon initial issuance or upon transfer or exchange.

In the event the aforesaid expiration date of the Warrants falls on a Saturday or Sunday, or on a legal holiday on which the New York Stock Exchange is closed, then the Warrants shall expire at 5:00 p.m. Eastern time on the next succeeding business day.

Section 3. Countersignature and Registration. The Warrant Agent shall maintain books for the transfer and registration of the Warrants. Upon the initial issuance of the Warrants, the Warrant Agent shall issue and register the Warrants in the names of the respective holders thereof. The Warrants shall be countersigned manually or by facsimile by the Warrant Agent (or by any successor to the Warrant Agent then acting as warrant agent under this Agreement) and shall not be valid for any purpose unless so countersigned. Warrants may, however, be so countersigned by the Warrant Agent (or by its successor as Warrant Agent) and be delivered by the Warrant Agent, notwithstanding that the persons whose manual or facsimile signatures appear thereon as proper officers of the Company shall have ceased to be such officers at the time of such countersignature or delivery.

Section 4. Transfers and Exchanges. The Warrant Agent shall transfer, from time to time, any outstanding Warrants upon the books to be maintained by the Warrant Agent for that purpose, upon surrender thereof for transfer properly endorsed or accompanied by appropriate instructions for transfer. Upon any such transfer, a new Warrant shall be issued to the transferee and the surrendered Warrant shall be cancelled by the Warrant Agent. Warrants so cancelled shall be delivered by the Warrant Agent to the Company from time to time upon request.

Warrants may be exchanged at the option of the holder thereof, when surrendered at the office of the Warrant Agent, for another Warrant, or other Warrants of different denominations of like tenor and representing in the aggregate the right to purchase a like number of shares of Common Stock.

Section 5. Exercise of Warrants. Subject to the provisions of this Agreement, each registered holder of Warrants shall have the right to purchase from the Company (and the Company shall issue and sell to such registered holder of Warrants) the number of fully paid and non-assessable shares of Common Stock specified in such Warrants upon surrender of such Warrants to the Company at the office of the Warrant Agent, with the

form of election to purchase on the reverse thereof duly filled in and signed, and upon payment to the Company of the Warrant Price, as defined and determined in accordance with the provisions of Section 9 of this Agreement, for the number of shares of Common Stock in respect of which such Warrants are then exercised. Payment of such Warrant Price shall be made by certified check or bank draft to the order of the Company. Subject to Section 6, upon such surrender of Warrants and payment of the Warrant Price, the Company shall issue and cause to be delivered with all reasonable dispatch to or upon the written order of the registered holder of such Warrants and in such name or names as such registered holder may designate, a certificate or certificates for the number of full shares of Common Stock so purchased upon the exercise of such Warrants. Such certificate or certificates shall be deemed to have been issued, and any person so designated to be named therein shall be deemed to have become a holder of record of such shares of Common Stock, as of the date of the surrender of such Warrants and payment of the Warrant Price as aforesaid. The rights of purchase represented by the Warrants shall be exercisable, at the election of the registered holders thereof, either as an entirety or from time to time for a portion of the shares specified therein and, in the event that any Warrant is exercised in respect of less than all of the shares of Common Stock specified therein at any time prior to the date of expiration of the Warrants, a new Warrant or Warrants will be issued to the registered holder for the remaining number of shares of Common Stock specified in the Warrant so surrendered, and the Warrant Agent is hereby irrevocably authorized to countersign and to deliver the required new Warrants pursuant to the provisions of this Section and of Section 3 of this Agreement and the Company, whenever requested by the Warrant Agent, will supply the Warrant Agent with Warrants duly executed on behalf of the Company for such purpose. Anything in the foregoing to the contrary notwithstanding, no Warrant will be exercisable unless at the time of exercise the Company has filed with the Securities and Exchange Commission a registration statement under the Securities Act of 1933, as amended (the "Act"), and such registration statement is then effective covering the shares of Common Stock issuable upon exercise of such Warrant and such shares have been so registered or qualified or deemed to be exempt under the securities laws of the state of residence of the holder of such Warrant, unless the Company in its sole discretion may otherwise permit such exercise. The Company shall use its reasonable efforts to have all shares so registered or qualified.

Section 6. Payment of Taxes. The Company will pay any documentary stamp taxes attributable to the initial issuance of Common Stock issuable upon the exercise of Warrants; provided, however, that the Company shall not be required to pay any tax which may be payable in respect of any transfer involved in the issue or delivery of any certificates for shares of Common Stock in a name other than that of the registered holder of Warrants in respect of which such shares are issued, and in such case neither the Company nor the Warrant Agent shall be required to issue or deliver any certificate for shares of Common Stock or any Warrant until the person requesting the same has paid to the Company the amount of such tax or has established to the Company's satisfaction that such tax has been paid.

Section 7. Mutilated or Missing Warrants. In case any of the Warrants shall be mutilated, lost, stolen or destroyed, the Company may, in its discretion, issue and the Warrant Agent shall countersign and deliver in exchange and substitution for and upon cancellation of the mutilated Warrant, or in lieu of and in substitution for the Warrant lost, stolen or destroyed, a new Warrant of like tenor and representing an equivalent right or interest, but only upon receipt of evidence satisfactory to the Company and the Warrant Agent of such loss, theft or destruction and, in case of a lost, stolen or destroyed Warrant, indemnity, if requested, also satisfactory to them. Applicants for such substitute Warrants shall also comply with such other reasonable regulations and pay such reasonable charges as the Company or the Warrant Agent may prescribe.

Section 8. Reservation of Common Stock. The Company shall at all times keep reserved, out of the authorized and unissued shares of Common Stock, a number of shares of Common Stock sufficient to provide for the exercise of the rights of purchase represented by the Warrants, and the transfer agent for the shares of Common Stock and every subsequent transfer agent for any shares of the Company's Common Stock issuable upon the exercise of any of the rights of purchase aforesaid are irrevocably authorized and directed at all times to reserve such number of authorized and unissued shares of Common Stock as shall be required for such purpose. The Company agrees that all shares of Common Stock issued upon exercise of the Warrants shall be, at the time of delivery of the certificates for such shares, validly issued and outstanding, fully paid and nonassessable and listed on any national securities exchange upon which the other shares of Common Stock are then listed. So long as any unexpired Warrants remain outstanding, the Company will file such appropriate registration statements (or post-effective amendment or supplements) as may be necessary to permit it to deliver to each person exercising a Warrant, a prospectus meeting the requirements of Section 10(a)(3) of the Act and otherwise complying therewith, and will deliver such prospectus to each such person. To the extent that during any period it is not reasonably likely that the Warrants will be exercised, due to market price or otherwise, the Company need not file such registration statement or post-effective amendment during such period. The Company will keep a copy of this Agreement on file with the transfer agent for the shares of Common Stock and with every subsequent transfer agent for any shares of the Common Stock issuable upon the exercise of the rights of purchase represented by the Warrants. The Warrant Agent is irrevocably authorized to requisition from time to time from such transfer agent stock certificates required to honor outstanding Warrants. The Company will supply such transfer agent with duly executed stock certificates for that purpose. All Warrants surrendered in the exercise of the rights thereby evidenced shall be cancelled by the Warrant Agent and shall thereafter be delivered to the Company, and such cancelled Warrants shall constitute sufficient evidence of the number of shares of Common Stock which have been issued upon the exercise of such Warrants. Promptly after the date of expiration of the Warrants, the Warrant Agent shall certify to the Company the total aggregate number of Warrants then outstanding, and thereafter no shares of Common Stock shall be subject to reservation in respect of such Warrants which shall have expired.

Section 9. Warrant Price; Adjustments.

(a) The warrant price at which Common Stock shall be purchasable upon the exercise of the Warrants shall be \$2.75 per share or after adjustment, as provided in this Section, shall be such price as so adjusted (the "Warrant Price").

(b) The Warrant Price shall be subject to adjustment from time to time as follows:

(i) In case the Company shall at any time after the date hereof pay a dividend in shares of Common Stock or make a distribution in shares of Common Stock, then upon such dividend or distribution the Warrant Price in effect immediately prior to such dividend or distribution shall forthwith be reduced to a price determined by dividing:

(A) an amount equal to the total number of shares of Common Stock outstanding immediately prior to such dividend or distribution multiplied by the Warrant Price in effect immediately prior to such dividend or distribution, by

(B) the total number of shares of Common Stock outstanding immediately after such issuance or sale.

For the purposes of any computation to be made in accordance with the provisions of this Section 9(b)(i), the following provisions shall be applicable: Common Stock issuable by way of dividend or other distribution on any stock of the Company shall be deemed to have been issued immediately after the opening of business on the date following the date fixed for the determination of stockholders entitled to receive such dividend or other distribution.

(ii) In case the Company shall at any time subdivide or combine the outstanding Common Stock, the Warrant Price shall forthwith be proportionately decreased in the case of subdivision or increased in the case of combination to the nearest one cent. Any such adjustment shall become effective at the time such subdivision or combination shall become effective.

(iii) Within a reasonable time after the close of each quarterly fiscal period of the Company during which the Warrant Price has been adjusted as herein provided, the Company shall:

(A) file with the Warrant Agent a certificate signed by the Chief Executive Officer, President or Vice President of the Company and by the Chief Financial Officer, the Treasurer or Assistant Treasurer or the Secretary or an Assistant Secretary of the Company, showing in detail the facts requiring all such adjustments occurring during such period and the Warrant Price after each such adjustment; and

(B) the Warrant Agent shall have no duty with respect to any such certificate filed with it except to keep the same on file and available for inspection by holders of Warrants during reasonable business hours, and the Warrant Agent may conclusively rely upon the latest certificate furnished to it hereunder. The Warrant Agent shall not at any time be under any duty or responsibility to any holder of a Warrant to determine whether any facts exist which may require any adjustment of the Warrant Price, or with respect to the nature or extent of any adjustment of the Warrant Price when made, or with respect to the method employed in making any such adjustment, or with respect to the nature or extent of the property or securities deliverable hereunder. In the absence of a certificate's having been furnished, the Warrant Agent may conclusively rely upon the provisions of the Warrants with respect to the Common Stock deliverable upon the exercise of the Warrants and the applicable Warrant Price thereof.

(iv) Notwithstanding anything contained herein to the contrary, no adjustment of the Warrant Price shall be made if the amount of such adjustment shall be less than \$0.05, but in such case any adjustment that would otherwise be required then to be made shall be carried forward and shall be made at the time and together with the next subsequent adjustment which, together with any adjustment so carried forward, shall amount to not less than \$0.05.

(v) In the event that the number of outstanding shares of Common Stock is increased by a stock dividend payable in Common Stock or by a subdivision of the outstanding Common Stock, then, from and after the time at which the adjusted Warrant Price becomes effective pursuant to this Section 9(b) by reason of such dividend or subdivision, the number of shares of Common Stock issuable upon the exercise of each Warrant shall be increased in proportion to such increase in outstanding shares. In the event that the number of shares of Common Stock outstanding is decreased by a combination of the outstanding Common Stock, then, from and after the time at which the adjusted Warrant Price becomes effective pursuant to this Section 9(b) by reason of such combination, the number of shares of Common Stock issuable upon the exercise of each Warrant shall be decreased in proportion to such decrease in the outstanding shares of Common Stock.

(vi) In case of any reorganization or reclassification of the outstanding Common Stock (other than a change in par value, or from par value to no par value, or as a result of a subdivision or combination), or in case of any consolidation of the Company with, or merger of the Company into, another corporation (other than a consolidation or merger in which the Company is the continuing corporation and which does not result in any reclassification of the outstanding Common Stock), or in case of any sale or conveyance to another corporation of the property of the Company as an entirety or substantially as an entirety, the holder of each Warrant then outstanding shall thereafter have the right to purchase the kind and amount of shares of Common Stock and other securities and property receivable upon such reorganization, reclassification, consolidation, merger, sale or conveyance by a holder of the number of shares of Common Stock which

the holder of such Warrant shall then be entitled to purchase; such adjustments shall apply with respect to all such changes occurring between the date of this Warrant Agreement and the date of exercise of such Warrant.

(vii) Subject to the provisions of this Section 9, in case the Company shall, at any time prior to the exercise of the Warrants, make any distribution of its assets to holders of its Common Stock as a liquidating or a partial liquidating dividend, then the holder of Warrants who exercises its Warrants after the record date for the determination of those holders of Common Stock entitled to such distribution of assets as a liquidating or partial liquidating dividend shall be entitled to receive for the Warrant Price per Warrant, in addition to each share of Common Stock, the amount of such distribution (or, at the option of the Company, a sum equal to the value of any such assets at the time of such distribution as determined by the Board of Directors of the Company in good faith), which would have been payable to such holder had he been the holder of record of the Common Stock receivable upon exercise of its Warrant on the record date for the determination of those entitled to such distribution.

(viii) In case of the dissolution, liquidation or winding up of the Company, all rights under the Warrants shall terminate on a date fixed by the Company, such date to be no earlier than ten (10) days prior to the effectiveness of such dissolution, liquidation or winding up and not later than five (5) days prior to such effectiveness. Notice of such termination of purchase rights shall be given to the last registered holder of the Warrants, as the same shall appear on the books of the Company maintained by the Warrant Agent, by registered mail at least thirty (30) days prior to such termination date.

(ix) In case the Company shall, at any time prior to the expiration of the Warrants and prior to the exercise thereof, offer to the holders of its Common Stock any rights to subscribe for additional shares of any class of the Company, then the Company shall give written notice thereof to the last registered holder thereof not less than thirty (30) days prior to the date on which the books of the Company are closed or a record date is fixed for the determination of the stockholders entitled to such subscription rights. Such notice shall specify the date on which the books shall be closed or record date fixed with respect to such offer of subscription and the right of the holder thereof to participate in such offer of subscription shall terminate if the Warrant shall not be exercised on or before the date of such closing of the books or such record date.

(x) Any adjustment pursuant to the aforesaid provisions of this Section 9 shall be made on the basis of the number of shares of Common Stock which the holder thereof would have been entitled to acquire by the exercise of the Warrant immediately prior to the event giving rise to such adjustment.

(xi) Irrespective of any adjustments in the Warrant Price or the number or kind of shares purchasable upon exercise of the Warrants, Warrants previously

or thereafter issued may continue to express the same price and number and kind of shares as are stated in the similar Warrants initially issuable pursuant to this Warrant Agreement.

(xii) The Company may retain a firm of independent public accountants (who may be any such firm regularly employed by the Company) to make any computation required under this Section 9, and any certificate setting forth such computation signed by such firm shall be conclusive evidence of the correctness of any computation made under this Section 9.

(xiii) If at any time, as a result of an adjustment made pursuant to Section 9(b)(vi) above, the holders of a Warrant or Warrants shall become entitled to purchase any securities other than shares of Common Stock, thereafter the number of such securities so purchasable upon exercise of each Warrant and the Warrant Price for such shares shall be subject to adjustment from time to time in a manner and on terms as nearly equivalent as practicable to the provisions with respect to the Common Stock contained in Sections 9(b)(ii) through (v).

Section 10. Fractional Interest. The Warrants may only be exercised to purchase full shares of Common Stock and the Company shall not be required to issue fractions of shares of Common Stock on the exercise of Warrants. However, if a Warrant holder exercises all Warrants then owned of record by it and such exercise would result in the issuance of a fractional share, the Company will pay to such Warrant holder, in lieu of the issuance of any fractional share otherwise issuable, an amount of cash based on the market value of the Common Stock of the Company on the last trading day prior to the exercise date.

Section 11. Notices to Warrant Holders.

(a) Upon any adjustment of the Warrant Price and the number of shares of Common Stock issuable upon exercise of a Warrant, then and in each such case the Company shall give written notice thereof to the Warrant Agent, which notice shall state the Warrant Price resulting from such adjustment and the increase or decrease, if any, in the number of shares purchasable at such price upon the exercise of a Warrant, setting forth in reasonable detail the method of calculation and the facts upon which such calculation is based. The Company shall also mail such notice to the holders of the Warrants at their addresses appearing in the Warrant register. Failure to give or mail such notice, or any defect therein, shall not affect the validity of the adjustments.

(b) In case at any time:

(i) the Company shall pay dividends payable in stock upon its Common Stock or make any distribution (other than regular cash dividends) to the holders of its Common Stock; or

(ii) the Company shall offer for subscription pro rata to the holders of its Common Stock any additional shares of stock of any class or other rights; or

(iii) there shall be any capital reorganization or reclassification of the capital stock of the Company, or consolidation or merger of the Company with, or sale or substantially all of its assets to, another corporation; or

(iv) there shall be a voluntary or involuntary dissolution, liquidation or winding up of the Company;

then in any one or more of such cases, the Company shall give written notice in the manner set forth in Section 11(a) of the date on which (A) a record shall be taken for such dividend, distribution or subscription rights, or (B) such reorganization, reclassification, consolidation, merger, sale, dissolution, liquidation or winding up shall take place, as the case may be. Such notice shall also specify the date as of which the holders of Common Stock of record shall participate in such dividend, distribution or subscription rights, or shall be entitled to exchange their Common Stock for securities or other property deliverable upon such reorganization, reclassification, consolidation, merger, sale, dissolution, liquidation or winding up, as the case may be. Such notice shall be given at least thirty (30) days prior to the action in question and not less than thirty (30) days prior to the record date in respect thereof. Failure to give such notice, or any defect therein, shall not affect the legality or validity of any of the matters set forth in this Section 11(b).

(c) The Company shall cause copies of all financial statements and reports, proxy statements and other documents that are sent to its stockholders to be sent postage prepaid, on the date of mailing and in the same manner as sent to such stockholders, to each registered holder of Warrants at his address appearing in the warrant register as of the record date for the determination of the stockholders entitled to such documents.

Section 12. Disposition of Proceeds on Exercise of Warrants.

(a) The Warrant Agent shall promptly forward to the Company all monies received by the Warrant Agent for the purchase of shares of Common Stock through the exercise of Warrants.

(b) The Warrant Agent shall keep copies of this Agreement available for inspection by holders of Warrants during normal business hours.

Section 13. Redemption of Warrants. The Warrants are redeemable by the Company, in whole or in part, on not less than thirty (30) days' prior written notice at a redemption price of \$0.10 per Warrant at any time. The redemption notice shall be mailed to the holders of the Warrants at their addresses appearing in the Warrant register. Holders

of the Warrants will have exercise rights until the close of business on the date fixed for redemption.

Section 14. Merger or Consolidation or Change of Name of Warrant Agent. Any corporation or company which may succeed to the corporate trust business of the Warrant Agent by any merger or consolidation or otherwise shall be the successor to the Warrant Agent hereunder without the execution or filing of any paper or any further act on the part of any of the parties hereto, provided that such corporation would be eligible to serve as a successor Warrant Agent under the provisions of Section 16 of this Agreement. In case at the time such successor to the Warrant Agent shall succeed to the agency created by this Agreement, any of the Warrants shall have been countersigned but not delivered, any such successor to the Warrant Agent may adopt the countersignature of the original Warrant Agent and deliver such Warrants so countersigned.

In case at any time the name of the Warrant Agent shall be changed and at such time any of the Warrants shall have been countersigned but not delivered, the Warrant Agent may adopt the countersignature under its prior name and deliver Warrants so countersigned. In all such cases such Warrants shall have the full force provided in the Warrants and in this Agreement.

Section 15. Duties of Warrant Agent. The Warrant Agent undertakes the duties and obligations imposed by this Agreement upon the following terms and conditions, by all of which the Company and the holders of Warrants, by their acceptance thereof, shall be bound:

(a) The statements of fact and recitals contained herein and in the Warrants shall be taken as statements of the Company, and the Warrant Agent assumes no responsibility for the correctness of any of the same except such as describe the Warrant Agent or action taken or to be taken by it. The Warrant Agent assumes no responsibility with respect to the distribution of the Warrants except as herein expressly provided.

(b) The Warrant Agent shall not be responsible for any failure of the Company to comply with any of the covenants in this Agreement or in the Warrants to be complied with by the Company.

(c) The Warrant Agent may consult at any time with counsel satisfactory to it (who may be counsel for the Company) and the Warrant Agent shall incur no liability or responsibility to the Company or to any holder of any Warrant in respect of any action taken, suffered or omitted by it hereunder in good faith and in accordance with the opinion or the advice of such counsel.

(d) The Warrant Agent shall incur no liability or responsibility to the Company or to any holder of any Warrant for any action taken in reliance on any notice,

resolution, waiver, consent, order, certificate or other instrument believed by it to be genuine and to have been signed, sent or presented by the proper party or parties.

(e) The Company agrees to pay to the Warrant Agent reasonable compensation for all services rendered by the Warrant Agent in the execution of this Agreement, to reimburse the Warrant Agent for all expenses, taxes and governmental charges and other charges incurred by the Warrant Agent in the execution of this Agreement and to indemnify the Warrant Agent and save it harmless against any and all liabilities, including judgments, costs and reasonable counsel fees, for anything done or omitted by the Warrant Agent in the execution of this Agreement except as a result of the Warrant Agent's negligence, willful misconduct or bad faith.

(f) The Warrant Agent shall be under no obligation to institute any action, suit or legal proceeding or to take any other action likely to involve expenses unless the Company or one or more registered holders of Warrants shall furnish the Warrant Agent with reasonable security and indemnity for any costs and expenses which may be incurred, but this provision shall not affect the power of the Warrant Agent to take such action as the Warrant Agent may consider proper, whether with or without any such security or indemnity. All rights of action under this Agreement or under any of the Warrants may be enforced by the Warrant Agent without the possession of any of the Warrants or the production thereof at any trial or other proceeding, and any such action, suit or proceeding instituted by the Warrant Agent shall be brought in its name as Warrant Agent, and any recovery of judgment shall be for the ratable benefit of the registered holders of the Warrants, as their respective rights and interests may appear.

(g) The Warrant Agent and any stockholder, director, officer, partner or employee of the Warrant Agent may buy, sell or deal in any of the Warrants or other securities of the Company or become pecuniarily interested in any transaction in which the Company may be interested, or contract with or lend money to or otherwise act as fully and freely as though it were not the Warrant Agent under this Agreement. Nothing herein shall preclude the Warrant Agent from acting in any other capacity for the Company or for any other legal entity.

(h) The Warrant Agent shall act hereunder solely as agent and its duties shall be determined solely by the provisions hereof.

(i) The Warrant Agent may execute and exercise any of the rights or powers hereby vested in it or perform any duty hereunder either itself or by or through its attorneys, agents or employees, and the Warrant Agent shall not be answerable or accountable for any such attorneys, agents or employees or for any loss to the Company resulting from such neglect or misconduct, provided reasonable care had been exercised in the selection and continued employment thereof.

(j) Any request, direction, election, order or demand of the Company shall be sufficiently evidenced by an instrument signed in the name of the Company by its Chief Executive Officer, President or a Vice President or its Secretary or an Assistant Secretary or its Chief Financial Officer, Treasurer or an Assistant Treasurer (unless other evidence in respect thereof be herein specifically prescribed); and any resolution of the Board of Directors may be evidenced to the Warrant Agent by a copy thereof certified by the Chief Financial Officer or the Secretary or an Assistant Secretary of the Company.

Section 16. Change of Warrant Agent. The Warrant Agent may resign and be discharged from its duties under this Agreement by giving to the Company notice in writing, and to the holders of the Warrants notice by mailing such notice to the holders at their addresses appearing on the Warrant register, of such resignation, specifying a date when such resignation shall take effect. The Warrant Agent may be removed by like notice to the Warrant Agent from the Company and the like mailing of notice to the holders of the Warrants. If the Warrant Agent shall resign or be removed or shall otherwise become incapable of acting, the Company shall appoint a successor to the Warrant Agent. If the Company shall fail to make such appointment within a period of thirty (30) days after such removal or after it has been notified in writing of such resignation or incapacity by the resigning or incapacitated Warrant Agent or after the Company has received such notice from a registered holder of a Warrant (who shall, with such notice, submit his Warrant for inspection by the Company), then the registered holder of any Warrant may apply to any court of competent jurisdiction for the appointment of a successor to the Warrant Agent. Any successor Warrant Agent, whether appointed by the Company or by such a court, shall be a bank or trust company, in good standing, incorporated under New York or federal law. After appointment, the successor Warrant Agent shall be vested with the same powers, rights, duties and responsibilities as if it had been originally named as Warrant Agent without further act or deed and the former Warrant Agent shall deliver and transfer to the successor Warrant Agent all cancelled Warrants, records and property at the time held by it hereunder, and execute and deliver any further assurance or conveyance necessary for the purpose. Failure to file or mail any notice provided for in this Section, however, or any defect therein, shall not affect the validity of the resignation or removal of the Warrant Agent or the appointment of the successor Warrant Agent, as the case may be.

Section 17. Identity of Transfer Agent. Forthwith upon the appointment of any transfer agent for the shares of Common Stock or of any subsequent transfer agent for the shares of Common Stock or other shares of the Company's Common Stock issuable upon the exercise of the rights of purchase represented by the Warrants, the Company will file with the Warrant Agent a statement setting forth the name and address of such transfer agent.

Section 18. Notices. Any notice pursuant to this Agreement to be given by the Warrant Agent or by the registered holder of any Warrant to the Company, shall be

sufficiently given if sent by first-class mail, postage prepaid, addressed (until another is filed in writing by the Company with the Warrant Agent) as follows:

Delcath Systems, Inc.
1100 Summer Street
Stamford, Connecticut 06905
Attention: M. S. Koly
Chief Executive Officer

and a copy thereof to:

Murtha Cullina LLP
Two Whitney Avenue
P.O. Box 704
New Haven, Connecticut 06503-0704
Attention: Paul G. Hughes, Esq.

Any notice pursuant to this Agreement to be given by the Company or by the registered holder of any Warrant to the Warrant Agent shall be sufficiently given if sent by first-class mail, postage prepaid, addressed (until another address is filed in writing by the Warrant Agent with the Company) as follows:

American Stock Transfer & Trust Company
6201 5th Avenue
Brooklyn, New York 11219
Attention: Office of the General Counsel

Section 19. Supplements and Amendments. The Company and the Warrant Agent may from time to time supplement or amend this Agreement in order to cure any ambiguity or to correct or supplement any provision contained herein which may be defective or inconsistent with any other provision herein, or to make any other provisions in regard to matters or questions arising hereunder which the Company and the Warrant Agent may deem necessary or desirable and which shall not be inconsistent with the provisions of the Warrants and which shall not adversely affect the interest of the holders of Warrants.

Section 20. New York Contract. This Agreement and each Warrant issued hereunder shall be deemed to be a contract made under the laws of the State of New York and shall be construed in accordance with the laws of New York applicable to agreements to be performed wholly within New York.

Section 21. Benefits of this Agreement. Nothing in this Agreement shall be construed to give to any person or corporation other than the Company, the Warrant Agent and the registered holders of the Warrants any legal or equitable right, remedy or claim

under this Agreement; but this Agreement shall be for the sole and exclusive benefit of the Company, the Warrant Agent and the registered holders of the Warrants.

Section 22. Successors. All the covenants and provisions of this Agreement by or for the benefit of the Company or the Warrant Agent shall bind and inure to the benefit of their respective successors and assigns hereunder.

IN WITNESS WHEREOF, the parties have entered into this Agreement on the date first above written.

DELCATH SYSTEMS, INC.

By: /s/ M. S. KOLY

Name: M. S. Koly
Title: President and Chief Executive Officer

AMERICAN STOCK TRANSFER & TRUST COMPANY

By: /s/ HERBERT J. LEMMER

Name: Herbert J. Lemmer
Title: Vice President

NUMBER:

WARRANTS:

DEL CATH SYSTEMS, INC.

2005 REDEEMABLE COMMON STOCK
PURCHASE WARRANTS - SERIES A

CUSIP
24661P 14 6

REGISTERED OWNER:

THIS IS TO CERTIFY THAT the person named above or registered assigns, is the owner of the number of warrants set forth above. Each warrant (subject to adjustments as hereinafter referred to) entitles the holder hereof to purchase at any time until 5:00 p.m. Eastern time on December 31, 2005 one fully paid and non-assessable share of common stock (the "Common Stock") of Delcath Systems, Inc., a Delaware corporation (the "Company"), (such shares of Common Stock being hereinafter referred to as the "Shares" or a "Share") upon payment of the warrant price (as hereinafter described), provided, however, that under certain conditions set forth in the Warrant Agreement hereinafter mentioned the number of Shares purchased upon the exercise of a warrant may be increased or reduced and the warrant price may be adjusted. Subject to adjustment as aforesaid, the warrant price per Share (hereinafter called the "Warrant Price") shall be \$2.75 per Share. As provided in said Warrant Agreement the Warrant Price is payable upon the exercise of the Warrant, either in cash or by certified check or bank draft to the order of the Company.

Under certain conditions set forth in the Warrant Agreement, this Warrant may be called for redemption at a redemption price of \$0.10 per Warrant upon written notice of not less than 30 days.

Upon the exercise of this Warrant, the form of election to purchase on the reverse hereof must be properly completed and executed. In the event that this Warrant is exercised in respect of less than all of such Shares, a new Warrant for the remaining number of Shares will be issued on such surrender.

This Warrant is issued under and the rights represented hereby are subject to the terms and provisions contained in a Warrant Agreement dated as of July [___], 2005 by and between the Company and American Stock Transfer & Trust Company, as Warrant Agent (the "Warrant Agent"), to all terms and provisions of which the registered holder of this Warrant, by acceptance hereof, assents. Reference is hereby made to said Warrant Agreement for a more complete statement of the rights and limitations of rights of the registered holder hereof, the rights and duties of the Warrant Agent and the rights and obligations of the Company hereunder. Copies of said Warrant Agreement are on file at the office of the Warrant Agent.

The Company shall not be required upon the exercise of this Warrant to issue fractions of Shares, but shall make adjustments therefor in cash on the basis of the then current market value of any fractional interest as provided in the Warrant Agreement.

This Warrant may be transferred, when surrendered at the office of the Warrant Agent or its successor as warrant agent by the registered holder hereof in person or by attorney duly authorized in writing, but only in the manner and subject to the limitations provided in the Warrant Agreement or in this Warrant and upon surrender of this Warrant Certificate and the payment of any transfer taxes. Upon any such transfer, a new Warrant or Warrants of different denominations of this tenor and representing in the aggregate the right to purchase a like number of Shares equal to the number of such Warrants.

If this Warrant Certificate shall be surrendered for exercise within any period during which the transfer books for the Company's Common Stock or other securities purchasable upon exercise of the Warrants are closed for any purpose, the Company shall not be required to make delivery of certificates for the securities purchased upon such exercise until the date of the reopening of said transfer books.

The holder of this Warrant shall not be entitled to any of the rights of a shareholder of the Company prior to the exercise hereof.

This Warrant shall not be valid unless countersigned by the Warrant Agent.

Witness the facsimile seal of the Company and the facsimile signatures of its duly authorized officers.

Dated:

/s/ PAUL M. FEINSTEIN

/s/ M. S. KOLY

Chief Financial Officer

President and Chief Executive Officer

COUNTERSIGNED AND REGISTERED: AMERICAN STOCK TRANSFER & TRUST
COMPANY
(New York, N.Y.)

WARRANT
AGENT
AND REGISTRAR

BY:

AUTHORIZED SIGNATURE

DELCATH SYSTEMS, INC
ELECTION TO PURCHASE

To Be Executed by the Registered Holder In Order to Exercise Warrants

To: DELCATH SYSTEMS, INC.
c/o: American Stock Transfer & Trust Company
59 Maiden Lane
New York, New York 10038

The undersigned hereby irrevocably elects to exercise the right of purchase represented by the within Warrant(s) for and to purchase thereunder, _____ shares of Common Stock provided for therein and tenders herewith payment of the purchase price in full to the order of the Company and requests that certificates for such shares shall be issued in the name of

PLEASE INSERT SOCIAL
SECURITY OR OTHER
IDENTIFYING NUMBER

(Please Print or Typewrite)

and be delivered to _____
(Name)

at _____
(Street Address) (City) (State) (Zip Code)

and, if said number of shares shall not be all the shares purchasable thereunder, that a new Warrant for the balance remaining of the shares purchasable under the within Warrant be registered in the name of, and delivered to, the undersigned at the address stated below.

Dated: _____ Signature: _____

Name: _____ Note: The above signature must correspond with the name as written upon the face of this Warrant or with the name of the assignee appearing in the assignment form below in every particular without alteration or enlargement or any other change whatever.

Address: _____
(Please Print or Typewrite) *Signature Guaranteed: _____

(City) (State) (Zip Code)

PLEASE INSERT SOCIAL SECURITY OR OTHER
IDENTIFYING NUMBER

ASSIGNMENT

For value received, _____ hereby sell, assign and transfer unto

PLEASE INSERT SOCIAL
SECURITY OR OTHER
IDENTIFYING NUMBER

Please Print or typewrite name and address including
postal zip code of assignee)

()

Warrants represented by the within Warrant Certificate, together with all right, title and interest therein, and do hereby irrevocably constitute and appoint _____ attorney to transfer said Warrant on the books of the within named Company, with full power of substitution in the premises,

Dated: _____

Signature: _____

Note: The above signature must correspond with the name as written upon the face of the Warrant in every particular without alteration or enlargement or any change

whatever.

*Signature
Guaranteed: _____

*In the case of assignment, or if the Common Stock issued is to be registered in the name of a person other than the holder, the holder's signature must be guaranteed by a commercial bank, trust company or an NASD member firm.

EMPLOYMENT AGREEMENT

This Employment Agreement (the "Agreement") amends and restates the agreement made April 30, 1996 by and among Delcath Systems, Inc., a Delaware Corporation with its principal offices at 1100 Summer Street, Stamford, Connecticut 06905 ("the Company ") and Mr. M.S. Koly ("the Executive"). This Agreement is effective as of July 1, 2003. [The Agreement was amended by Amendment No. 1 effective as of June 15, 2004.]

1. Position and Responsibilities.

1.1 The Executive currently serves as a Director and as Chief Executive Officer of the Company. The Executive shall continue to serve in that capacity, or in such other executive capacity as shall be designated by the Board of Directors of the Company and reasonably acceptable to the Executive, and shall perform the duties customarily associated with such capacity from time to time and at such place or places as the Board of Directors of the Company shall designate as appropriate and necessary in connection with such employment.

1.2 The Executive will, to the best of his ability, devote his full business time (except for his existing directorships listed in Exhibit A or directorships otherwise approved in advance by the Board of Directors), and his best efforts and ability to the performance of his duties hereunder and to the business and affairs of the Company. The Executive agrees to perform such executive duties as may be assigned to him by or on authority of the Company's Board of Directors from time to time. After receipt of notice of termination of his employment hereunder, the Executive shall continue to be available to the Company on a part-time basis at reasonable and customary hourly rates to assist in any necessary transition.

1.3 The Executive will duly, punctually, and faithfully perform and observe any and all rules and regulations which the Company may now or shall hereafter reasonably establish governing his conduct as an employee and the conduct of its business.

1.4 The Executive hereby ratifies and affirms the agreement relating to proprietary information and inventions dated May 20, 1996 and attached hereto as Exhibit B between the Executive and the Company (the "Proprietary Information and Inventions Agreement").

2. Term of Employment.

2.1 The term of this Agreement shall be for a term ending on September 30, 2008. Thereafter, this Agreement shall be automatically renewed for successive periods of one (1) year, unless the Executive shall give

1 of 14

the Company not less than ninety (90) days prior written notice of non-renewal. The Company may terminate the Executive's employment as provided in Sections 2.4 or 2.5.

2.2 The Executive agrees that, subject to the terms and conditions of this Agreement, in the event of a Potential Change in Control, as defined in this Section 2, he will remain in the employ of the Company until the earliest of (a) a date which is 180 days from the occurrence of such Potential Change in Control, (b) his termination of employment by the Company, (c) the termination by him of his employment by reason of death, disability or Regular Retirement after age 70.

2.3 For purposes of this Agreement, a "Potential Change in Control" shall be deemed to have occurred if:

(a) the Company enters into an agreement, the consummation of which would result in the occurrence of a Change in Control;

(b) any "person" (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")), including the Company, publicly announces an intention to take or to consider taking actions which if consummated would constitute a Change in Control;

(c) any person, other than a trustee or other fiduciary holding securities under an employee benefit plan of the Company (or a company owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company), who is or becomes the beneficial owner, directly or indirectly, of securities of the Company representing 9.5% or more of the combined voting power of the Company's then outstanding securities increases his beneficial ownership of such securities by 5% or more over the percentage so owned by such person prior thereto; or

(d) The Board adopts a resolution to the effect that, for the purposes of this Agreement, a Potential Change in Control has occurred.

2.4 The Company shall have the right to terminate the Executive's employment at

any time under this Agreement prior to the stated term in any of the following ways:

(a) upon the death of the Executive;

(b) upon the disability of the Executive (disability shall be defined as his inability to perform duties under this Agreement for an aggregate of ninety (90) days out of any one hundred eighty (180) day period due to mental or physical injury or illness);

(c) immediately without prior notice to the Executive by the Company for Cause, as hereinafter defined provided, however, that prior to any such termination for Cause, he shall have had a reasonable opportunity to be heard thereon;

(d) immediately without prior notice to the Executive, in the event of the liquidation or reorganization of the Company under the federal Bankruptcy Act or any state insolvency or bankruptcy law;

(e) at any time without Cause, provided the Company shall be obligated to pay to the Executive upon notice of termination, the Termination Payments, as defined in Section 3.2.

2.5. The Executive shall also have the right to terminate his employment hereunder in the event of a material change, without his consent, in his duties or responsibilities. For the purposes of this Section 2.3, a material change includes, but is not limited to:

(a) without the express written consent of the Executive, a material diminution in his position, duties, responsibilities or status with the Company, a material reduction or alteration (not in the nature of a promotion) in his reporting responsibilities, titles or offices, or the removal from or failure to be re-elected to the director or officer positions previously held;

(b) a reduction by the Company of the annual base salary of the Executive as the same may be increased from time to time hereafter, or a failure by the Company to increase such base salary each year at least by the percentage specified in Section 4.1;

(c) the failure of the Company to continue in effect any incentive, benefit, bonus or compensation, insurance, pension or other employee benefit plan of the Company (or plans and benefits which are, in the aggregate, no less favorable to the Executive than those he enjoyed immediately prior thereto);

(d) the relocation of the Company's principal executive offices to a location outside a fifty mile radius of its present headquarters, the requirement by the Company that he, without his consent, be based anywhere other than the Company's principal executive offices, or, in the event he consents to such move, the failure of the Company to reimburse him for moving expenses and any loss realized on the sale of his principal residence in connection with such move;

(e) a reduction in the number of the Executive's yearly paid leave business days;

(f) the failure by the Company to pay to the Executive any portion of his then current compensation or to pay any portion of an installment of deferred compensation under any

deferred compensation program of the Company within seven (7) days of the date such compensation is due.

2.6 If the Executive elects to terminate his employment due to a material change in his duties or responsibilities, the Company shall be obligated to pay to him immediately in one lump sum, upon notice to the Company, the Termination Payments, as defined in Section 3.2.

2.7 "Cause" for the purpose of Section 2.4 of this Agreement shall mean:

(a) the falseness or material inaccuracy of any of the Executive's warranties or representations herein;

(b) the willful failure or refusal to comply with explicit directives of the Board of Directors or to render the services required herein;

(c) fraud or embezzlement involving assets of the Company, its customers, suppliers or affiliates or other misappropriation of the Company's assets or funds;

(d) the conviction of a criminal felony offense;

(e) the willful breach or habitual neglect of obligations under this Agreement or duties as an employee of the Company.

The existence of Cause for termination of employment by the Company shall be subject, upon the written election of the Executive or the Company, to binding arbitration as provided in Section 9 hereof.

2.8 Notwithstanding the foregoing, after a "Change in Control" has occurred, the Executive shall not be deemed to have been terminated for Cause without delivery to him of a Notice of Termination, from the Board finding that in the good faith opinion of at least three-fifths (3/5) of the Board (after reasonable notice to him and an opportunity for the Executive, together with his counsel, to be heard before the Board), he was guilty of conduct set forth above in Section 2.7, above, and specifying the particulars thereof in detail. In the event of a dispute concerning the application of this Section, no claim by the Company that Cause exists shall be given effect unless the Company establishes to the Board by clear and convincing evidence that Cause exists.

2.9 If his employment is terminated under Section 2.4 (a) through (d), above, all obligations of the Company hereunder cease, except with respect to amounts and obligations accrued to the Executive through the last day of the month during which his employment ended.

3. Change in Control

3.1 For purposes of this Agreement, a "Change in Control" shall be deemed to have occurred if:

(a) any person (other than the Company, any trustee or other fiduciary holding securities under an employee benefit plan of the Company, or any company owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of the stock of the Company), is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 30% or more of the voting power of all classes of capital stock of the Company;

(b) the following individuals cease for any reason to constitute a majority of the number of directors then serving: individuals, who on the date hereof, constitute the Board, and any new director (other than a director whose initial assumption of office is in connection with an actual or threatened election contest, including but not limited to a consent solicitation, relating to the election of directors of the Company) whose appointment or election by the Board or nomination for election by the Company's stockholders was approved or recommended by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors on the date hereof or whose appointment or election or nomination for election was previously so approved or recommended (the "Continuing Directors");

(c) the stockholders of the Company approve a merger or consolidation of the Company or any direct or indirect subsidiary of the Company with any other company, other than (1) a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or any parent thereof) more than 50% of the combined voting power of the voting securities of the Company or such surviving entity or any parent thereof outstanding immediately after such merger or consolidation or (2) a merger or consolidation effected to implement a recapitalization of the Company (or similar transaction) in which no "person" (as hereinabove defined) acquires more than 50% of the combined voting power of the Company's then outstanding securities; or

(d) the stockholders of the Company approve a plan of complete liquidation of the Company or an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets.

(e) The foregoing notwithstanding, a Change in Control shall not be deemed to have occurred with respect to the Executive (i) if the event first giving rise to the Potential Change in Control involves a publicly-announced transaction or publicly-announced proposed

transaction which at the time of the announcement has not been previously approved by the Board and (ii) the Executive is part of a purchasing group proposing the transaction. A Change in Control shall also not be deemed to have occurred with respect to the Executive if he is part of a purchasing group which consummates the Change in Control transaction. The Executive shall be deemed "part of a purchasing group" for purpose of the two preceding sentences if he is an equity participant or has agreed to become an equity participant in the purchasing company or group (except for (i) passive ownership of less than 5% of the stock of a public company, (ii) ownership of equity participation in the purchasing company or group which is otherwise not deemed to be significant, as determined prior to the Change in Control by a majority of the non-employee Continuing Directors, or (iii) beneficial ownership of any equity interest in the purchasing company or group as a result of the grant to the Employee of an incentive compensation award under one or more incentive plans of the purchasing company or group (including, but not limited to, the conversion in connection with a transaction of incentive compensation awards of the Company into incentive compensation awards of the purchasing company or group), on terms and conditions substantially equivalent to those applicable to other executives of the Company immediately prior to the transaction, after taking into account normal differences attributable to job responsibilities, title and the like).

3.2 In the event of a Change in Control, the Company shall pay to the Executive immediately in one lump sum, and he shall be entitled to a payment (together with the payments provided in Sections 3.3 and 3.4 below, the "Termination Payments") equal to two times the sum of the amounts set forth in clauses (A), (B) and (C) below:

(A) the Executive's base salary as in effect immediately prior to the Change in Control;

(B) the average of the bonuses received by the Executive with respect to the three completed fiscal years of the Company immediately preceding the Change in Control; and

(C) the annual cost to the Company of all benefits to which the Executive is entitled (other than contingent stock, stock options and other similar benefits) immediately preceding the Change in Control, including, without limitation (but without duplication), any pension, savings, or other employee benefit plans.

3.3 In the event of a Change in Control, the Company shall continue, for a period of thirty six (36) months, to cover the Executive and his dependents under those life, disability, accident and

health insurance benefits which were applicable to him on the date of the Change in Control at the same benefit levels then in effect, or shall provide substantially similar benefits.

3.4 In the event of a Change in Control, upon the election of the Executive at his sole discretion, the Company shall pay to him, in cash, an amount equivalent to the excess, if any, of the aggregate market value (measured as of the close of trading on the date of the Change in Control) of all shares of any class or series of the Company's capital stock issuable upon exercise of then outstanding employee stock options granted to him (whether or not then exercisable) over the aggregate exercise price of such options, and such options shall thereupon be cancelled and of no further force or effect.

3.5 The Company shall pay to the Executive legal fees and expenses incurred by him as a result of any termination during the thirty-six (36) month period following a Change in Control (including such fees and expenses, if any, incurred in contesting or disputing any such termination or in seeking to obtain or enforce any right or benefit provided by this Agreement or in connection with any tax audit or proceeding to the extent attributable to the application of section 4999 of the Code, to any payment or benefit provided hereunder.

3.6 In the event that the Executive becomes entitled to the Termination Payments, if those Termination Payments would be subject to the tax imposed by section 4999 of the Code (or any similar tax that may hereafter be imposed) (the "Excise Tax"), the Executive shall return to the Company any amount which constitutes an "excess parachute payment" within the meaning of section 280G(b)(2) of Code, unless, in the opinion of tax counsel selected by the Company's independent auditors and acceptable to the Executive such other payments or benefits (in whole or in part) do not constitute parachute payments, or such excess parachute payments (in whole or part) represent reasonable compensation for services actually rendered within the meaning of section 280G(b)(4) of the Code in excess of the base amount within the meaning of section 280G(b)(3) of the Code, or are otherwise not subject to the Excise Tax.

3.7 Any payment required to be made to the Executive under Section 3.2 shall be independent of, and may be in addition to, any payment required to be made under Section 2.4 or 2.6.

4. Compensation

4.1 Base Salary. The Executive's Base Salary shall be \$300,000 per annum as of July 1, 2004, payable in accordance with the Company's payroll policies and practices, and subject to increases thereafter in amounts equal to the greater of the change in the Cost of Living Index, as published by the

American Chamber of Commerce Researchers Association, or the rate of increase applied to employees, generally.

4.2 Bonus. The Executive may receive bonuses at the discretion of the Company's Board of Directors or the Compensation Committee.

4.3 Vacation. The Executive shall be entitled to thirty paid leave business days per annum, in lieu of all legal holidays, religious holidays, vacation days and sick days. The Executive shall make all reasonable efforts to arrange for paid leave business days in advance at such time or times as shall be mutually agreeable to him and the Company. Any paid leave days not used in any particular year may be carried forward into the subsequent year. The Executive may not receive cash in lieu of paid leave business days.

4.4 Insurance and Benefits. The Executive shall be eligible for participation in any health or other group insurance plan which may be established by the Company or which the Company is required to maintain by law. He shall also be entitled to participate in any employee benefit program which the Company may establish for its key employees or for its employees generally, including, but in no way limited to, bonuses and stock purchase or option plans. The Company shall provide comprehensive health insurance for the Executive and his dependents. Additionally, the Company shall maintain term life insurance in the amount of at least three times his then annual base salary payable to a beneficiary or beneficiaries of his own choosing in the event of his death. The Company shall also maintain a long-term disability insurance policy payable to a beneficiary or beneficiaries of his choosing should he suffer a long-term disability. Should his employment be terminated for any reason, the Company will use its best efforts to allow the Executive to assume these policies.

4.5 Expenses. The Company shall reimburse the Executive promptly for all reasonable and ordinary business and out-of-pocket expenses incurred by him in connection with the Company's business and in the scope of his employment hereunder, as approved by the Company, including, without limitation, reasonable and necessary travel, lodging, entertainment and meals incurred by him during the term of this Agreement, provided the expenses are incurred in furtherance of the Company's business and at the request of the Company. The Executive agrees to keep and maintain records of the aforesaid expenses as may be requested by the Company and to account to the Company for the expenses prior to reimbursement.

5. Other Activities During Employment

5.1 Except for the outside employments, consultancies and directorships currently held by the Executive as listed on Exhibit A attached hereto, and except with the prior written consent of the Company's Board of Directors, exclusive of himself, which consent will not be unreasonably withheld, the Executive will not, during the term of this Agreement, undertake or engage in any other employment, occupation or business enterprise which directly competes with the Company other than one in which he is an inactive investor.

5.2 The Executive hereby agrees that, except as disclosed on Exhibit A attached hereto, during his employment hereunder, he will not, directly or indirectly, engage (i) individually, (ii) as an officer, (iii) as a director, (iv) as an employee, (v) as a consultant, (vi) as an advisor, (vii) as an agent (whether a salesperson or otherwise), (viii) as a broker, or (ix) as a partner, co-venturer, stockholder or other proprietor owning directly or indirectly more than a five percent (5%) interest in any firm, corporation, partnership, trust, association, or other organization which is engaged in the planning, research, development, production, manufacture, marketing, sales, or distribution of drug delivery and filtration systems, related products, equipment, or services (such firm, corporation, partnership, trust, association, or other organization being hereinafter referred to as a "Prohibited Enterprise"). Except as may be shown on Exhibit A attached hereto, the Executive hereby represents that he is not engaged in any of the foregoing capacities (i) through (ix) in any Prohibited Enterprise.

6. Former Employees.

6.1 The Executive represents and warrants that his employment by the Company will not conflict with and will not be constrained by any prior or current employment, consulting agreement or relationship whether oral or written. The Executive represents and warrants that he does not possess confidential information arising out of any such employment, consulting agreement or relationship which, in his best judgment, would be utilized in connection with his employment by the Company in the absence of Section 6.2.

6.2 If, in spite of the second sentence of Section 6.1, the Executive should find that confidential information belonging to any other person or entity might be usable in connection with the Company's business, he will not intentionally disclose to the Company or use on behalf of the Company any confidential information belonging to any of his former employers; but during his employment by the Company he will use in the performance of his duties all information which is generally known and used by persons with training and experience comparable to his own all

information which is common knowledge in the industry or otherwise legally in the public domain.

7. Post-Employment Activities.

7.1 For a period of one (1) year after the termination, for any reason, of his employment with the Company hereunder, absent the Board of Directors' prior written approval, the Executive will not directly or indirectly engage in activities similar to those described in Section 5.2, nor render services similar or reasonably related to those which he shall have rendered hereunder to any person or entity whether now existing or hereafter established which directly competes with (or proposes or plans to directly compete with) the Company ("Direct Competitor") in the drug filtration and delivery systems business, or any line of business engaged in or under demonstrable development by the Company. Nor shall he entice, induce or encourage any of the Company's other employees to engage in any activity which, were it done by him, would violate any provision of the Proprietary Information and Inventions Agreement or this Section 7. As used in this Section 7.1, the term "any line of business engaged in or under demonstrable development by the Company" shall be applied as at the date of termination of his employment, or, if later, as at the date of termination of any post-employment consultation,

7.2 For a period of one (1) year after the termination of his employment with the Company, the provisions of Section 5.2 shall be applicable to the Executive and he shall comply therewith.

7.3 For a period of three (3) months after termination, for any reason, of his employment with the Company hereunder, the Executive shall be entitled to the use of his then current executive office space, with the continuation of his then current secretarial and administrative assistance.

7.4 No provision of this Agreement shall be construed to preclude the Executive from performing the same services which the Company hereby retains him to perform for any person or entity which is not a Direct Competitor of the Company upon the expiration or termination of his employment (or any post-employment consultation) so long as he does not thereby violate any term of this Agreement or the Proprietary Information and Inventions Agreement.

8. Remedies.

The obligations under the Proprietary Information and Inventions Agreement and the provisions of Sections 5.2, 7, 8, 9, and 11 of this Agreement (as modified by Section 15, if applicable) shall survive the expiration or termination of employment (whether through his resignation or otherwise) with the Company. The Executive acknowledges that a remedy at law for any breach

or threatened breach by him of the provisions of the Proprietary Information and Inventions Agreement or Section 5 or 7 hereof would be inadequate and he therefore agrees that the Company shall be entitled to such injunctive relief in case of any such breach or threatened breach.

9. Arbitration.

Any dispute concerning this Agreement including, but not limited to, its existence, validity, interpretation, performance or non-performance, arising before or after termination or expiration of this Agreement, shall be settled by a single arbitrator in Stamford, Connecticut, in accordance with the expedited procedures of the commercial rules then in effect of the American Arbitration Association. The cost of arbitration, exclusive of the cost of each party's legal representation (which, except as otherwise provided in this Agreement, shall be borne by the party incurring the expense), shall be borne by the instigating party; provided, however, that the arbitrators' award may require either party to reimburse the other for the reasonable cost of legal representation in the arbitration proceedings.

10. Assignment.

This Agreement and the rights and obligations of the parties hereto shall bind and inure to the benefit of any successor or successors of the Company by reorganization, merger or consolidation and any assignee of all or substantially all of its business and properties, but, except as to any such successor or assignee of the Company, neither this Agreement nor any rights or benefits hereunder may be assigned by the Company or by The Executive, except by operation of law or by a further written agreement by the parties hereto.

11. Interpretation.

It is the intent of the parties that, in case any one or more of the provisions contained in this Agreement shall, for any reason, be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect the other provisions of this Agreement, and this Agreement shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein. Moreover, it is the intent of the parties that, if any one or more of the provisions contained in this Agreement is or becomes or is deemed invalid, illegal or unenforceable or in case any shall for any reason be held to be excessively broad as to duration, geographical scope, activity or subject, such provision shall be construed by amending, limiting and/or reducing it to conform to applicable laws so as to be valid and enforceable or, if it

cannot be so amended without materially altering the intention of the parties, it shall be stricken and the remainder of this Agreement shall remain in full force and effect.

12. Notices.

Any notice which the Company is required to or may desire to give the Executive shall be given by registered or certified mail, return receipt requested, addressed to him at his address of record with the Company, or at such other place as he may from time to time designate in writing under the terms of this Section 12. Any notice which the Executive is required or may desire to give to the Company hereunder shall be given by registered or certified mail, return receipt requested, addressed to the Company at its principal office, or at such other office as the Company may from time to time designate in writing under the terms of this Section 12.

13. Waivers.

No waiver of any right under this Agreement shall be deemed effective unless contained in a writing signed by the party charged with such waiver, and no waiver of any right arising from any breach or failure to perform shall be deemed to be a waiver of any future such right or of any other right arising under this Agreement.

14. Complete Agreement.

The foregoing, including Exhibits A and B attached hereto, is the entire agreement of the parties with respect to the subject matter hereof, superseding any previous oral or written communications, representations, understandings, or agreements with the Company or any officer or representative thereof.

15. Amendments.

This Agreement may be amended or modified or certain provisions waived only by a written instrument signed by the parties hereto, upon authorization of the Company's Board of Directors.

16. Headings.

The headings of the Sections contained in this Agreement are inserted for convenience and reference only and in no way define, limit, extend or describe the scope of this Agreement, the intent of any provisions hereof, and shall not be deemed to constitute a part hereof nor to affect the meaning of this Agreement in any way.

17. Governing Law.

This Agreement shall be governed by and construed in accordance with the laws of the State of Connecticut.

In Witness Whereof, the Company has caused this Agreement to be signed by its duly authorized officer and its seal affixed hereto, and the Executive has hereunto set his hand and seal as of the day and year first above written.

Delcath Systems Inc.

By: /s/ MARK A CORIGLIANO 9/25/03

/s/ M. S. KOLY

Mark A. Corigliano, Director and
Chairman of the Compensation Committee

M.S. Koly

Exhibit A

Outside Employments and Directorships of M.S. Koly

Madison Consulting, Inc.
Venkol, Inc.

14 of 14

DELCATH SYSTEMS, INC.

2004 STOCK INCENTIVE PLAN

Incentive Stock Option Agreement

To: [NAME OF OPTIONEE]

We are pleased to notify you that, by action of the Compensation and Stock Option Committee (hereinafter called the "Committee") on [DATE OF GRANT], an incentive stock option to purchase [NUMBER] shares of the Common Stock, \$0.01 par value, of Delcath Systems, Inc. (herein called the "Company"), at the price of \$[EXERCISE PRICE] per share (herein called the "Exercise Price") was approved pursuant to the Company's 2004 Stock Incentive Plan (the "2004 Plan"). In accordance with the provisions of Section 6.2 of the 2004 Plan, this Agreement shall become effective upon your execution hereof. This option may be exercised only upon the terms and conditions set forth below.

Exercising options may not be a prudent business decision for some persons. Therefore, we urge you to review this opportunity carefully and consult with your own tax advisor prior to exercising this option as the decision as to whether to exercise this option and the manner in which you exercise the option should be guided by your personal financial and tax considerations.

1. Purpose of Option.

The purpose of the 2004 Plan under which this incentive stock option has been granted is to further the growth and development of the Company and its direct and indirect subsidiaries by encouraging selected employees (including officers) who contribute and are expected to contribute materially to the Company's success to obtain a proprietary interest in the Company through the ownership of stock, thereby providing such persons with an added incentive to promote the best interests of the Company, and affording the Company a means of attracting to its service persons of outstanding ability.

2. Acceptance of Option Agreement.

Your execution of this incentive stock option agreement will indicate your acceptance of and your willingness to be bound by its terms; it imposes no obligation upon you to purchase any of the shares subject to the option. Your obligation to purchase shares can arise only upon your exercise of the option in the manner set forth in paragraph 4 hereof.

3. When Option May Be Exercised.

This option shall be exercisable as follows:

(a) this option shall become exercisable on [DATE] as to [NUMBER] of the shares covered hereby; and

(b) this option shall become exercisable on [DATE] as to the remaining [NUMBER] shares covered hereby.

This option may not be exercised for fewer than ten shares at any one time (or the remaining shares then purchasable if less than ten), may not be exercised for fractional shares of the Company's Common Stock, and expires on [EXPIRATION DATE], unless sooner terminated as provided in paragraphs 5, 6 and 7 hereof.

4. How Option May Be Exercised.

This option is exercisable by a written notice signed by you and delivered to the Company at its executive offices, signifying your election to exercise the option ("Notice of Exercise"). The Notice of Exercise must state the number of shares of Common Stock as to which your option is being exercised, must contain a statement by you that such shares are being acquired by you for investment and not with a view to their distribution or resale (unless a registration statement covering the shares purchasable has been declared effective by the Securities and Exchange Commission, with its being acknowledged by you that the Company shall not be under any obligation to file any such registration statement). A form of the Notice of Exercise is attached hereto as Exhibit A. The payment of the Exercise Price of an option shall be subject to the following:

(a) Payment of Exercise Price. The Exercise Price shall be payable in cash, check to the order of the Company or by tendering shares of Common Stock that (i) you have held for at least six (6) months and (ii) are valued at Fair Market Value, as defined in the Plan, as of the day of exercise, or in any combination thereof, as determined by the Committee, for the full purchase price of the shares being purchased, plus such amount, if any, as is required for withholding taxes.

(b) Net Issuance Exercise Right. You may elect to pay the Exercise Price upon the exercise of this option by surrendering this option (or a portion hereof) on a cash-free basis in exchange for shares of Common Stock acquired upon exercise of this option. If you surrender this option (or a portion hereof) as payment for the exercised shares, the number of exercised shares to be issued to you will be equal to the product of (i) a fraction, the numerator of which will be (a) the Fair Market Value of one share of Common Stock on the date of exercise, less (b) the Exercise Price, and the denominator of which will be the Fair Market Value of a share of Common Stock on the date of exercise, multiplied by (ii) the number of options to be exercised (the "Formula"). The Formula may also be represented as:

$$X = \frac{(A - B) Y}{A}$$

Where: X = the number of shares of Common Stock to be issued to the Optionholder;

Y = the number of options to be exercised;

A = the Fair Market Value of one share of Common Stock on the date of exercise; and

B = Exercise Price.

(c) Unless the Company determines that it would not be permitted under applicable law, you may elect to have the Company lend you sufficient funds to pay the Exercise Price and any tax withholding resulting from such exercise upon the exercise of an option.

(d) If requested by the Company, a written acknowledgement by you, in the form contained in the Notice of Exercise that an investment in the Common Stock of the Company involves a high degree of risk, that you have received a copy of the Company's financial statements for the most recently ended fiscal year for which such statement is available (which shall be provided annually to you by the Company), and that you have had the opportunity to ask questions of management concerning the Company prior to the exercise of this option (the Company to provide such information as you may reasonably request).

The full Exercise Price for share of Common Stock purchased upon the exercise of this option shall be paid at the time of such exercise.

The Committee may cause each certificate evidencing the purchased Common Stock to be endorsed with one or more legends setting forth the restrictions on transfer or otherwise of such Common Stock.

Certificates for shares of the Common Stock so purchased will be issued as soon as practicable. The Company, however, shall not be required to issue or deliver a certificate for any shares until it has complied with all requirements of the Securities Act of 1933, as amended, the Securities Exchange Act of 1934, as amended, any stock exchange on which the Common Stock may then be listed and all applicable state laws in connection with the issuance or sale of such shares or the listing of such shares on said exchange. Until the issuance of the certificate for such shares, you or such other person as may be entitled to exercise this option, shall have none of the rights of a stockholder with respect to shares subject to this option.

You shall promptly advise the Company of any sale of shares of Common Stock issued upon exercise of this option which occurs within one year from the date of the exercise of this option.

5. Subject to Terms of the 2004 Plan.

This Incentive Stock Option Agreement shall be subject in all respects to the terms and conditions of the 2004 Plan and, in the event of any question or controversy relating to the terms of the 2004 Plan, the decision of the Committee shall be conclusive. THIS AGREEMENT SHALL BE NULL AND VOID AB INITIO, AND THE OPTION GRANT REFLECTED HEREIN SHALL BE DEEMED FORFEITED, UNLESS THE COMPANY RECEIVES, WITHIN TWO WEEKS OF ITS TENDER OF THIS AGREEMENT TO YOU, ONE COPY HEREOF BEARING YOUR ORIGINAL COUNTERSIGNATURE BELOW.

Sincerely yours,

DELCATH SYSTEMS, INC.

By: _____

Name:

Title:

Agreed to and Accepted

this ___ day of [DATE].

[NAME]

NOTICE OF EXERCISE

(To be Executed by an Optionholder to Purchase Shares of
Common Stock of Delcath Systems, Inc. under its 2004 Stock Incentive Plan)

The undersigned hereby irrevocably elects to exercise his or her right to purchase _____ (_____) shares of Common Stock, \$0.01 par value per share (the "Shares"), of Delcath Systems, Inc. ("Delcath") as provided by the Incentive Stock Option Agreement between the undersigned and Delcath, dated _____, and according to the conditions thereof, and hereby makes payment of the Exercise Price for such Shares in the full amount of \$_____, by wire transfer or by check delivered herewith.

By executing this Notice of Exercise, the undersigned represents and warrants to Delcath that the following statements are true and correct:

1. I am acquiring the shares of the Company's Common Stock for investment purposes only and not with a view to their distribution or resale.

2. I understand that an investment in the Common Stock of the Company involves a high degree of risk and is suitable only for persons of adequate financial means and should not be made by anyone who cannot afford the loss of his or her entire investment.

3. I have received and carefully read and am familiar with the Company's financial statements for the most recently ended fiscal year for which such statements are available.

4. I acknowledge that I have had an opportunity to consult with counsel and other advisers about acquiring the shares of the Company's Common Stock for investment purposes.

5. I have had the opportunity to ask questions of management concerning the Company prior to the exercise of the option and the Company has made available such information pertaining to my acquiring the Shares as I have reasonably requested.

Signature: _____

Print Name:

Address: _____

DELCATH SYSTEMS, INC.

2004 STOCK INCENTIVE PLAN

Nonqualified Stock Option Agreement

To: [NAME]

We are pleased to notify you that, by action of the Compensation and Stock Option Committee (hereinafter called the "Committee") on [DATE] a nonqualified stock option to purchase [NUMBER] shares of the Common Stock, \$0.01 par value, of Delcath Systems, Inc. (herein called the "Company"), at the price of \$[EXERCISE PRICE] per share (herein called the "Exercise Price") was approved pursuant to the Company's 2004 Stock Incentive Plan (the "2004 Plan"). In accordance with the provisions of Section 6.2 of the 2004 Plan, this Agreement shall become effective upon your execution hereof. This option may be exercised only upon the terms and conditions set forth below.

Exercising options may not be a prudent business decision for some persons. Therefore, we urge you to review this opportunity carefully and consult with your own tax advisor prior to exercising this option as the decision as to whether to exercise this option and the manner in which you exercise the option should be guided by your personal financial and tax considerations.

1. Purpose of Option.

The purpose of the 2004 Plan under which this nonqualified stock option has been granted is to further the growth and development of the Company and its direct and indirect subsidiaries by encouraging selected employees, directors, consultants, agents, independent contractors and other persons who contribute and are expected to contribute materially to the Company's success to obtain a proprietary interest in the Company through the ownership of stock, thereby providing such persons with an added incentive to promote the best interests of the Company, and affording the Company a means of attracting to its service persons of outstanding ability.

2. Acceptance of Option Agreement.

Your execution of this nonqualified stock option agreement will indicate your acceptance of and your willingness to be bound by its terms; it imposes no obligation upon you to purchase any of the shares subject to the option. Your obligation to purchase shares can arise only upon your exercise of the option in the manner set forth in paragraph 4 hereof.

2

3. When Option May Be Exercised.

This option shall be exercisable as follows:

(a) this option shall become exercisable on [DATE] as to [NUMBER] of the shares covered hereby; and

(b) this option shall become exercisable on [DATE] as to the remaining [NUMBER] shares covered hereby.

This option may not be exercised for fewer than ten shares at any one time (or the remaining shares then purchasable if less than ten), may not be exercised for fractional shares of the Company's Common Stock, and expires on July 7, 2010 unless sooner terminated as provided in paragraph 5 hereof.

4. How Option May Be Exercised.

This option is exercisable by a written notice signed by you and delivered to the Company at its executive offices, signifying your election to exercise the option ("Notice of Exercise"). The Notice of Exercise, substantially in the form attached hereto as Exhibit A, must state the number of shares of Common Stock as to which your option is being exercised and must contain a statement by you that such shares are being acquired by you for investment and not with a view to their distribution or resale (unless a registration statement covering the shares purchasable has been declared effective by the Securities and Exchange Commission, with it being acknowledged by you that the Company shall not be under any obligation to file any such registration statement). The payment of the Exercise Price of an option shall be subject to the following:

(a) Payment of Exercise Price. The Exercise Price shall be payable in cash, check to the order of the Company or by tendering shares of Common Stock that (i) you have held for at least six (6) months and (ii) are valued at Fair Market Value, as defined in the Plan, as of the day of exercise, or in any combination thereof, as determined by the Committee, for the full purchase price of the shares being purchased, plus such amount, if any, as is required for withholding taxes.

(b) Net Issuance Exercise Right. You may elect to pay the Exercise Price upon the exercise of this option by surrendering this option (or a portion hereof) on a cash-free basis in exchange for shares of Common Stock acquired upon exercise of this option. If you surrender this option (or a portion hereof) as payment for the exercised shares, the number of exercised shares to be issued to you will be equal to the product of (i) a fraction, the numerator of which will be (a) the Fair Market Value of one share of Common Stock on the date of exercise, less (b) the Exercise Price, and the denominator of which will be the Fair Market Value of a share of Common Stock on the date of exercise, multiplied by (ii) the number of options to be exercised (the "Formula"). The Formula may also be represented as:

$$X = \frac{(A - B) Y}{A}$$

Where: X = the number of shares of Common Stock to be issued to the Optionholder;

Y = the number of options to be exercised;

A = the Fair Market Value of one share of Common Stock on the date of exercise; and

B = Exercise Price.

(c) Unless the Company determines that it would not be permitted under applicable law, you may elect to have the Company lend you sufficient funds to pay the Exercise Price and any tax withholding resulting from such exercise upon the exercise of an option.

(d) If requested by the Company, a written acknowledgement by you, in the form contained in the Notice of Exercise that an investment in the Common Stock of the Company involves a high degree of risk, that you have received a copy of the Company's financial statements for the most recently ended fiscal year for which such statement is available (which shall be provided annually to you by the Company), and that you have had the opportunity to ask questions of management concerning the Company prior to the exercise of this option (the Company to provide such information as you may reasonably request).

The full Exercise Price for share of Common Stock purchased upon the exercise of this option shall be paid at the time of such exercise.

The Committee may cause each certificate evidencing the purchased Common Stock to be endorsed with one or more legends setting forth the restrictions on transfer or otherwise of such Common Stock.

Certificates for shares of the Common Stock so purchased will be issued as soon as practicable. The Company, however, shall not be required to issue or deliver a certificate for any shares until it has complied with all requirements of the Securities Act of 1933, as amended, the Securities Exchange Act of 1934, as amended, any stock exchange on which the Common Stock may then be listed and all applicable state laws in connection with the issuance or sale of such shares or the listing of such shares on said exchange. Until the issuance of the certificate for such shares, you or such other person as may be entitled to exercise this option, shall have none of the rights of a stockholder with respect to shares subject to this option.

You shall promptly advise the Company of any sale of shares of Common Stock issued upon exercise of this option which occurs within one year from the date of the exercise of this option.

By your acceptance hereof, you agree that you will not sell, transfer, pledge or otherwise dispose of any shares of Common Stock you acquire upon an exercise of this option prior to the first anniversary of the date of such exercise.

5. Subject to Terms of the 2004 Plan.

This Nonqualified Stock Option Agreement shall be subject in all respects to the terms and conditions of the 2004 Plan and, in the event of any question or controversy relating to the terms of the 2004 Plan, the decision of the Committee shall be conclusive. THIS AGREEMENT SHALL BE NULL AND VOID AB INITIO, AND THE OPTION GRANT REFLECTED HEREIN SHALL BE DEEMED FORFEITED, UNLESS THE COMPANY RECEIVES, WITHIN TWO WEEKS OF ITS TENDER OF THIS AGREEMENT TO YOU, ONE COPY HEREOF BEARING YOUR ORIGINAL COUNTERSIGNATURE BELOW.

6. Tax Status.

This option does not qualify as an "incentive stock option" under the provisions of Section 422 of the Code, and the income tax implications of your receipt of a nonqualified stock option and your exercise of such an option should be discussed with your tax advisor.

Sincerely yours,

DELCATH SYSTEMS, INC.

By: _____

Name:

Title:

Agreed to and Accepted

this ___ day of [DATE].

[NAME]

NOTICE OF EXERCISE

(To be Executed by an Optionholder to Purchase Shares of
Common Stock of Delcath Systems, Inc. under its 2004 Stock Incentive Plan)

The undersigned hereby irrevocably elects to exercise his or her right to purchase _____ (_____) shares of Common Stock, \$0.01 par value per share (the "Shares"), of Delcath Systems, Inc. ("Delcath") as provided by the Nonqualified Stock Option Agreement between the undersigned and Delcath, dated _____, and according to the conditions thereof, and hereby makes payment of the Exercise Price for such Shares in the full amount of \$_____, by wire transfer or by check delivered herewith.

By executing this Notice of Exercise, the undersigned represents and warrants to Delcath that the following statements are true and correct:

1. I am acquiring the shares of the Company's Common Stock for investment purposes only and not with a view to their distribution or resale.
2. I understand that an investment in the Common Stock of the Company involves a high degree of risk and is suitable only for persons of adequate financial means and should not be made by anyone who cannot afford the loss of his or her entire investment.
3. I have received and carefully read and am familiar with the Company's financial statements for the most recently ended fiscal year for which such statements are available.
4. I acknowledge that I have had an opportunity to consult with counsel and other advisers about acquiring the shares of the Company's Common Stock for investment purposes.
5. I have had the opportunity to ask questions of management concerning the Company prior to the exercise of the option and the Company has made available such information pertaining to my acquiring the Shares as I have reasonably requested.

Signature: _____

Print Name: _____

Address: _____

Dated: _____

DELCATH SYSTEMS, INC.
2004 STOCK INCENTIVE PLAN
Stock Grant Agreement

To: [NAME]

We are pleased to notify you that, by action of the Compensation and Stock Option Committee (hereinafter called the "Committee") on [DATE] a stock grant of [NUMBER] shares of the Common Stock, \$0.01 par value, of Delcath Systems, Inc. (herein called the "Company"), was approved pursuant to the Company's 2004 Stock Incentive Plan (the "2004 Plan"). Pursuant to Section 9.1 of the 2004 Plan, please confirm your acceptance of this stock grant by signing below and returning this agreement to the Company.

We urge you to review this opportunity carefully and consult with your own tax advisor prior to accepting the grant so that you understand the tax consequences of your receiving this grant. By your signature hereto, you also acknowledge receipt of a copy of the Company's Prospectus dated October 21, 2004 relating to the 2004 Plan.

Sincerely yours,
DELCATH SYSTEMS, INC.

By: _____
[NAME]
[TITLE]:

Agreed to and Accepted

this ___ day of [DATE].

[NAME]

CERTIFICATION
BY PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO RULE 13a-14

I, M. S. Koly, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of Delcath Systems, Inc;

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

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

4. The small business issuer's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the small business issuer and have:

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

(b) [Omitted as permitted by Exchange Act Release No. 47986];

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

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

5. The small business issuer's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the small business issuer's

auditors and the audit committee of the small business issuer's board of directors (or persons performing the equivalent functions):

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

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

/s/ M. S. KOLY

M. S. Koly
Chief Executive Officer
(Principal executive officer)

August 11, 2005

CERTIFICATION
BY PRINCIPAL FINANCIAL OFFICER
PURSUANT TO RULE 13a-14

I, Paul M. Feinstein, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of Delcath Systems, Inc;

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

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

4. The small business issuer's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the small business issuer and have:

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

(b) [Omitted as permitted by Exchange Act Release No. 47986];

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

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

5. The small business issuer's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the small business issuer's

auditors and the audit committee of the small business issuer's board of directors (or persons performing the equivalent functions):

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

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

/s/ PAUL M. FEINSTEIN

Paul M. Feinstein
Chief Financial Officer
(Principal financial officer)

August 11, 2005

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES -OXLEY ACT OF 2002

In connection with the Quarterly Report of DELCATH SYSTEMS, INC. (the "Company") on Form 10-QSB for the period ended June 30, 2005 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, M. S. Koly, the Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

August 11, 2005

/s/ M. S. KOLY

M. S. Koly
Chief Executive Officer

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES -OXLEY ACT OF 2002

In connection with the Quarterly Report of DELCATH SYSTEMS, INC. (the "Company") on Form 10-QSB for the period ended June 30, 2005 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Paul M. Feinstein, the Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the report fairly presents, in all material respects, the financial condition and results of operations of the Company.

August 11, 2005

/s/ PAUL M. FEINSTEIN

Paul M. Feinstein
Chief Financial Officer