

DELCATH SYSTEMS INC
Form PRE 14A
April 13, 2012
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549
SCHEDULE 14A

(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to § 240.14a-12

Delcath Systems, Inc.

(Name of Registrant as Specified in its Charter)

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

Payment of Filing Fee (Check the appropriate box):

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- x No fee required.
- .. Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
 - (1) Title of each class of securities to which transaction applies:

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

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

 - (4) Proposed maximum aggregate value of transaction:

 - (5) Total fee paid:
- .. Fee paid previously with preliminary materials.
- .. Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.
 - (1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

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PRELIMINARY COPY SUBJECT TO COMPLETION

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

TO BE HELD ON MAY 23, 2012

Notice is hereby given that the 2012 Annual Meeting of Stockholders of Delcath Systems, Inc. will be held on Wednesday, May 23, 2012, at 10:00 a.m., local time, at The Michelangelo Hotel, 152 West 51st Street, New York, New York for the following purposes:

1. To vote on the election of Laura A. Philips, Roger G. Stoll and Gabriel Leung as Class III directors, each to serve until the 2015 annual meeting of stockholders and until his or her successor is duly elected and qualified.
2. To cast a non-binding, advisory vote on the compensation of our named executive officers (say-on-pay).
3. To adopt an amendment to Delcath s Amended and Restated Certificate of Incorporation to increase the number of authorized shares of capital stock from 80,000,000 shares to 180,000,000 shares in order to increase the number of authorized shares of common stock, par value \$0.01 per share, from 70,000,000 shares to 170,000,000 shares.
4. To adopt an amendment to Delcath s 2009 Stock Incentive Plan to increase the total number of shares of Delcath common stock reserved for issuance under the plan by 2,300,000 shares, from 4,200,000 to 6,500,000 shares of Delcath common stock.
5. To ratify the appointment by our Audit Committee of Ernst & Young LLP as Delcath s independent registered public accounting firm for the fiscal year ending December 31, 2012.
6. To transact such other business as may properly come before the meeting or any adjournment or postponement of the meeting. We are not aware of any other business to come before the meeting.

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

The Board of Directors has fixed the close of business on Monday, April 16, 2012 as the record date for the Annual Meeting. Only stockholders of record of Delcath common stock at the close of business on that date are entitled to notice of and to vote at the Annual Meeting and at any adjournment or postponement of the meeting.

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

By Order of the Board of Directors

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New York, New York
April [], 2012

Eamonn P. Hobbs
President and Chief Executive Officer

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DELCATH SYSTEMS, INC.

PROXY STATEMENT

FOR

2012 ANNUAL MEETING OF STOCKHOLDERS

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PRELIMINARY COPY SUBJECT TO COMPLETION

810 Seventh Avenue, 35th Floor

New York, New York 10019

PROXY STATEMENT

For the 2012 Annual Meeting of Stockholders to be held on May 23, 2012

The enclosed proxy is solicited by the Board of Directors of Delcath Systems, Inc. (Delcath, we, our, us or the Company) to be voted at our Annual Meeting of Stockholders (the Annual Meeting) to be held on Wednesday, May 23, 2012 at 10:00 a.m., local time, and at any adjournment or postponement of the meeting. The Annual Meeting will be held at The Michelangelo Hotel, 152 West 51st Street, New York, New York. This Proxy Statement and the accompanying Notice of Annual Meeting of Stockholders, proxy card and Delcath's Annual Report on Form 10-K for the fiscal year ended December 31, 2011 (the Form 10-K), were first mailed on or about April [], 2012, to our stockholders entitled to vote at the meeting.

Important Notice Regarding the Availability of Proxy Materials for

the Stockholder Meeting to be Held on Wednesday, May 23, 2012.

A copy of this Proxy Statement, the proxy card and our Annual Report on Form 10-K are available at:

<https://materials.proxyvote.com/24661P>

INFORMATION ABOUT THE ANNUAL MEETING AND VOTING

Purpose of the Annual Meeting.

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

the election of Laura A. Philips, Roger G. Stoll and Gabriel Leung as Class III directors, each to serve until the 2015 annual meeting of stockholders and until his or her successor is duly elected and qualified (Proposal 1);

a non-binding, advisory vote on the compensation of our named executive officers (say-on-pay) (Proposal 2);

the adoption of an amendment to the Company's Amended and Restated Certificate of Incorporation to increase the number of authorized shares of capital stock from 80,000,000 shares to 180,000,000 shares in order to increase the number of authorized shares of common stock, par value \$0.01 per share, from 70,000,000 shares to 170,000,000 shares (Proposal 3);

the adoption of an amendment to the Company's 2009 Stock Incentive Plan to increase the total number of shares of our common stock reserved for issuance under the plan by 2,300,000 shares,

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from 4,200,000 to 6,500,000 shares of our common stock (Proposal 4);

the ratification of the appointment by our Audit Committee of Ernst & Young LLP as Delcath's independent registered public accounting firm for the fiscal year ending December 31, 2012 (Proposal 5); and

such other business as may properly come before the meeting or any adjournment or postponement of the meeting.

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| Stockholders entitled to vote. | Stockholders of record at the close of business on Monday, April 16, 2012 (the Record Date) of our common stock, \$0.01 par value per share, are entitled to notice of and to vote at the Annual Meeting and at any adjournment or postponement of the meeting. At the close of business on the Record Date, there were [] shares of Delcath common stock issued, outstanding and entitled to vote. |
| Number of votes. | You have one vote for each share of Delcath common stock held by you on the Record Date. |
| Voting. | <p>You may vote your shares in person or by proxy.</p> <p><i>Stockholders of Record.</i> If you hold your shares in your own name as a holder of record, you can vote your common stock by:</p> <ul style="list-style-type: none">completing the enclosed proxy card and returning it signed and dated in the enclosed postage-paid envelope. The persons named in the proxy card (the proxies or proxy holders) will vote your shares in accordance with your instructions in your completed and returned proxy card; orattending the Annual Meeting and delivering your completed proxy card in person or by completing a ballot at the meeting. Ballots will be available at the meeting. <p><i>Beneficial Owners.</i> If your shares are held in the name of a bank, broker or other holder of record, you will receive instructions from the holder of record on how to vote your shares. You must follow the instructions of your broker or other nominee in order for your shares to be voted. If your shares are not registered in your name and you plan to vote your shares in person at the meeting, you must obtain and bring with you to the meeting a legal proxy from the broker or other nominee holding your shares that confirms your beneficial ownership of the shares and gives you the right to vote your shares at the meeting.</p> |
| Quorum. | A majority of our outstanding shares of common stock present in person or by proxy and entitled to be voted at the Annual Meeting constitutes a quorum. For purposes of determining the presence of a quorum for transacting business at the Annual Meeting, abstentions and broker non-votes (proxies from brokers or other nominees indicating that they have not received instructions from the beneficial owner(s) on a particular proposal(s) with respect to which the brokers or nominees do not have discretionary voting authority) will be treated as shares that are present for purposes of determining the presence of a quorum. |
| Non-Routine Proposals; Broker Non-Votes. | <p>Your broker or nominee will have discretionary authority to vote your shares with respect to routine proposals, but not with respect to non-routine proposals.</p> <p><i>Non-routine proposals.</i> Proposal 1 (election of directors), Proposal 2 (say-on-pay) and Proposal 4 (amendment to 2009 Stock Incentive Plan) are non-routine proposals.</p> |

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Routine proposal. Proposal 3 (amendment to Amended and Restated Certificate of Incorporation) and Proposal 5 (ratification of the appointment of our independent registered public accounting firm) are routine proposals.

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

Proposal 1, the election of Class III directors the nominees receiving the highest number of affirmative votes of the shares present or represented by proxy and entitled to vote on such matter at the Annual Meeting shall be elected as directors.

Proposal 2, a non-binding, advisory resolution on the compensation of our named executive officers (say-on-pay) an affirmative vote of a majority of the shares present in person or represented by proxy and voting on such matter is required for approval of the advisory resolution.

Proposal 3, the adoption of an amendment to the Company s Amended and Restated Certificate of Incorporation to increase the number of authorized shares of capital stock from 80,000,000 shares to 180,000,000 shares in order to increase the number of authorized shares of common stock, par value \$0.01 per share, from 70,000,000 shares to 170,000,000 shares an affirmative vote of a majority of the shares present in person or represented by proxy and voting on such matter is required for approval.

Proposal 4, the adoption of an amendment to the Company s 2009 Stock Incentive Plan to increase the total number of shares of our common stock reserved for issuance under the plan by 2,300,000 shares, from 4,200,000 to 6,500,000 shares of our common stock an affirmative vote of a majority of the shares present in person or represented by proxy and voting on such matter is required for approval.

Proposal 5, the ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2012 an affirmative vote of a majority of the shares present in person or represented by proxy and voting on such matter is required for approval.

Abstentions are included in the number of shares present or represented and voting on each matter. Broker non-votes are not considered voted for the particular matter and have the effect of reducing the number of affirmative votes required to achieve a majority for such matter by reducing the total number of shares from which the majority is calculated.

Voting of Proxies.

Our Board of Directors recommends a vote **FOR** all director nominees listed in Proposal 1, **FOR** Proposal 2, **FOR** Proposal 3, **FOR** Proposal 4 and **FOR** Proposal 5. Your shares of common stock will be voted in accordance with the instructions contained in your signed proxy card. **If you return a signed proxy card without giving specific voting instructions with respect to a particular Proposal or Proposals to be acted upon at the meeting, proxies will be voted in favor of the Board of Directors recommendations with respect to that particular Proposal or those Proposals as set forth in this Proxy Statement.**

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Other Matters.

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

Revoking your Proxy.

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

giving our Corporate Secretary a written notice of revocation before (addressed to Gregory J. Champion, Esq., Corporate Secretary, Delcath Systems, Inc., 810 Seventh Avenue, 35th Floor, New York, New York 10019) or at the meeting; or

delivering a properly executed, later dated proxy card; or

attending the Annual Meeting and voting in person at the meeting. **Your attendance at the meeting in and of itself will not be sufficient to revoke your proxy.**

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

Expenses and Solicitation.

The costs of solicitation of proxies, including printing and mailing costs, will be borne by Delcath. In addition to the solicitation of proxies by mail, proxies may also be solicited personally by directors, officers and employees of Delcath, without additional compensation to these individuals. Delcath may request banks, brokers and other firms holding shares in their names which are beneficially owned by others to send proxy materials and obtain proxies from such beneficial owners, and will reimburse such banks, brokers and other firms for their reasonable out-of-pocket costs.

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The following table contains information regarding the beneficial ownership of our common stock as of April 10, 2012, held by: (i) each of our directors and nominees for director; (ii) each of our named executive officers in the Summary Compensation Table; and (iii) all of our directors and executive officers as a group.

| Name of Beneficial Owner: | Shares Beneficially Owned ⁽¹⁾ | |
|--|--|-------------|
| | Number | Percent |
| Eamonn P. Hobbs ⁽²⁾ | 1,130,000 | 2.2% |
| David A. McDonald ⁽³⁾ | 291,706 | * |
| Agustin V. Gago ⁽⁴⁾ | 290,277 | * |
| Peter J. Graham ⁽⁵⁾ | 61,000 | * |
| Krishna Kandarpa, M.D., Ph.D. ⁽⁶⁾ | 284,000 | * |
| Harold S. Koplewicz, M.D. ⁽⁷⁾ | 281,854 | * |
| Robert B. Ladd, MBA, CFA ⁽⁸⁾ | 668,148 | 1.3% |
| Laura A. Philips, Ph.D., MBA ⁽⁹⁾ | 227,854 | * |
| Roger G. Stoll, Ph.D. ⁽¹⁰⁾ | 201,854 | * |
| Graham Miao | 34,000 | * |
| Douglas G. Watson ⁽¹¹⁾ | 28,035 | * |
| Gabriel Leung ⁽¹²⁾ | 13,349 | * |
| All directors and executive officers as a group (16 people)⁽¹³⁾: | 3,744,126 | 7.2% |

* Less than 1%

- (1) Except as indicated in these footnotes, the persons named in this table have sole voting and investment power with respect to all shares of common stock beneficially owned. The number of shares beneficially owned by each person as of April 10, 2012 includes any vested and unvested shares of restricted stock and any shares of common stock that such person or group has the right to acquire within 60 days of April 10, 2012 upon the exercise of stock options. For each individual included in the table, percentage ownership is calculated by dividing the number of shares beneficially owned by such person by the sum of the 49,760,661 shares of common stock outstanding on April 10, 2012 plus the number of shares of common stock that such person or group has the right to acquire within 60 days of April 10, 2012.
- (2) Includes 975,000 shares of common stock which Mr. Hobbs has the right to acquire upon exercise of outstanding options exercisable within 60 days of April 10, 2012.
- (3) Includes 260,000 shares of common stock which Mr. McDonald has the right to acquire upon exercise of outstanding options exercisable within 60 days of April 10, 2012, and 16,206 shares of common stock pledged as security.
- (4) Includes 209,333 shares of common stock which Mr. Gago has the right to acquire upon exercise of outstanding options exercisable within 60 days of April 10, 2012.
- (5) Includes 46,000 shares of common stock which Mr. Graham has the right to acquire upon exercise of outstanding options exercisable within 60 days of April 10, 2012.
- (6) Includes 125,000 shares of common stock which Dr. Kandarpa has the right to acquire upon exercise of outstanding options exercisable within 60 days of April 10, 2012.
- (7) Includes 200,000 shares of common stock which Dr. Koplewicz has the right to acquire upon exercise of outstanding options exercisable within 60 days of April 10, 2012.
- (8) Includes 631,294 shares of common stock owned of record by Laddcap Value Partners, L.P. (Laddcap) with respect to which Mr. Ladd disclaims beneficial ownership Mr. Ladd is the managing member of Laddcap Value Advisors LLC, which is the investment advisor of Laddcap. Mr. Ladd also serves as managing member of Laddcap Value Associates LLC, which is the general partner of Laddcap.

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- (9) Includes 12,000 shares of common stock owned of record by Dr. Philips spouse with respect to which Dr. Philips disclaims beneficial ownership, 20,000 shares of common stock jointly owned by Dr. Philips and her spouse, and 150,000 shares of common stock which Dr. Philips has the right to acquire upon exercise of outstanding options exercisable within 60 days of April 10, 2012.
- (10) Includes 150,000 shares of common stock which Mr. Stoll has the right to acquire upon exercise of outstanding options exercisable within 60 days of April 10, 2012.
- (11) Includes 16,666 shares of common stock which Mr. Watson has the right to acquire upon exercise of outstanding options exercisable within 60 days of April 10, 2012.
- (12) Includes 5,002 shares of common stock which Mr. Leung has the right to acquire upon exercise of outstanding options exercisable within 60 days of April 10, 2012.
- (13) Includes 2,322,500 shares of common stock which certain directors and executive officers have the right to acquire upon exercise of outstanding options exercisable within 60 days of April 10, 2012.

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CORPORATE GOVERNANCE

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

Board Independence. The Board has determined that a majority of our incumbent directors, namely, Harold S. Koplewicz, M.D., Robert B. Ladd, Gabriel Leung, Laura A. Philips, Roger G. Stoll and Douglas G. Watson are independent directors within the meaning of the NASDAQ listing rules.

Attendance. The Board of Directors met nine times in 2011 (including regularly scheduled and special meetings). During 2011, each director attended at least 75% of the aggregate of: (i) the total number of meetings of the Board (held during the period for which he or she served as a director) and (ii) the total number of meetings held by all committees of the Board of Directors on which he or she served (held during the period that he or she served). It is Delcath's policy that, absent unusual or unforeseen circumstances, all directors are expected to attend annual meetings of stockholders, and all attended our 2011 Annual Meeting.

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

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

Risk Assessment of Compensation Programs. Our Compensation and Stock Option Committee considered whether our compensation programs encourage excessive risk taking by employees at the expense of long-term Company value. Based upon its assessment, the Compensation Committee does not believe that our compensation programs encourage excessive or inappropriate risk-taking, motivate imprudent risk-taking or create risks that are reasonably likely to have a material adverse effect on the Company.

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Director Continuing Education. Our directors are encouraged to attend educational programs provided by various universities, stock exchanges and other regulatory agencies to assist our directors in maintaining or enhancing their skills and abilities as directors and to update their knowledge and understanding of the pharmaceutical, medical device and biopharma industries and the regulatory environment in which Delcath operates and to which it is subject.

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

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

the selection, evaluation and, where appropriate, replacement of our outside auditors;

an annual review and evaluation of the qualifications, performance and independence of our outside auditors;

the approval of all auditing services and permitted non-audit services provided by our outside auditors;

the review of the adequacy and effectiveness of our accounting and internal controls over financial reporting; and

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

The current members of the Audit Committee are: Laura A. Philips (Chair), Douglas G. Watson, Robert B. Ladd and Gabriel Leung, each of whom is independent within the meaning of the NASDAQ listing rules and otherwise meet the financial statement proficiency requirements of the NASDAQ listing rules. The Board has determined that Laura Philips, Douglas G. Watson, Gabriel Leung and Robert Ladd each qualify as an audit committee financial expert as defined in the rules of Securities and Exchange Commission. During 2011, the Audit Committee met seven times. The Audit Committee has a written charter, which is available on our website; go to www.delcath.com, click on Investors, then Corporate Governance.

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

The current members of the Compensation and Stock Option Committee are Roger G. Stoll (Chair), Robert B. Ladd and Gabriel Leung, each of whom is independent within the meaning of the NASDAQ listing rules. During 2011, the Compensation and Stock Option Committee met 13 times. The Compensation and Stock Option Committee has a written charter, which is available on our website; go to www.delcath.com, click on Investors, then Corporate Governance.

Nominating and Corporate Governance Committee. The Nominating and Corporate Governance Committee, or Nominating Committee, is responsible for identifying individuals qualified to become Board members, and recommends to the Board the director nominees to be proposed by the Board for election by the stockholders (as well as any director nominees to be appointed by the Board to fill interim vacancies). The

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Nominating Committee also recommends the directors to be selected for membership on each Board committee. The Nominating and Corporate Governance Committee is also responsible for developing and recommending to the Board appropriate corporate governance guidelines and policies, and for leading the Board in its annual review of the Board's performance.

The current members of the Nominating and Corporate Governance Committee are Douglas G. Watson (Chair), Laura A. Philips and Roger G. Stoll, each of whom is independent, within the meaning of the NASDAQ listing rules. During 2011, the Nominating and Corporate Governance Committee met seven times. The Nominating and Corporate Governance Committee has a written charter, which is available on our website; go to www.delcath.com, click on Investors, then Corporate Governance.

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

Recommendations by Stockholders of Director Nominees. The Nominating Committee will consider any recommendation by a stockholder of a candidate for nomination as a director. If a stockholder wants to recommend a director candidate for consideration by the Nominating Committee, the stockholder should submit the name of the proposed nominee, together with the reasons why the stockholder believes the election of the candidate would be beneficial to the Company and its stockholders and the information about the nominee that would be required in a proxy statement requesting proxies to vote in favor of the candidate. The stockholder's submission must be accompanied by the written consent of the proposed nominee to being nominated by the Board and the candidate's agreement to serve if nominated and elected. Any such submission should be directed to the Nominating and Corporate Governance Committee at Delcath's principal office, 810 Seventh Avenue, 35th Floor, New York, New York 10019. If a stockholder intends to nominate a person for election to the Board of Directors at an annual meeting, the stockholder must provide Delcath with written notice of his or her intention no later than the deadline for receiving a stockholder proposal for inclusion in Delcath's proxy statement for such meeting (as described below under the heading **Stockholder Proposals For the 2013 Annual Meeting**), and must otherwise comply with our amended and restated certificate of incorporation. Copies of any recommendation received in accordance with these procedures will be distributed to each member of the Nominating and Corporate Governance Committee. One or more members of the Nominating and Corporate Governance Committee may contact the proposed candidate to request additional information.

Stockholder Communications with the Board of Directors. Any stockholder wishing to communicate with the Board or with any specified director should address his or her communication to the Board of Directors or to the particular director(s) in care of the Corporate Secretary, Delcath Systems, Inc., 810 Seventh Avenue, 35th Floor, New York, New York 10019. All such written communication, other than items determined by our legal counsel to be inappropriate for submission to the intended recipient(s), will be submitted to the Board or to the particular director(s). Any stockholder communication not so delivered, will be made available upon request to any director. Examples of stockholder communications that would be considered inappropriate for submission include, without limitation, customer complaints, business solicitations, product promotions, job inquiries, junk mail and mass mailings, as well as material that is unduly hostile, threatening, illegal or similarly unsuitable.

Compensation Committee Interlocks and Insider Participation. During 2011, Roger G. Stoll (Chair), Robert B. Ladd and Gabriel Leung served as members of our Compensation and Stock Option Committee. None of the members of the Compensation and Stock Option Committee is a current or former officer or employee of

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Delcath, nor did any Compensation and Stock Option Committee member engage in any related person transaction that would be required to be disclosed under Item 404 of Regulation S-K. During 2011, none of Delcath's executive officers served on the compensation committee (or equivalent) or on the board of directors of another entity whose executive officers served on the Compensation and Stock Option Committee or our Board of Directors.

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

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

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

No related person transactions occurred during 2011.

Table of Contents**PROPOSAL 1: ELECTION OF DIRECTORS**

Our Board of Directors currently consists of seven directors divided into three approximately equal classes. Directors hold office for staggered terms of three years (and until their successors are elected and qualified). One of the three classes is elected each year to succeed the directors whose terms are expiring. At the Annual Meeting, three Class III directors will be elected to the Board. Laura A. Philips, Roger G. Stoll and Gabriel Leung are currently serving as Class III directors, and each has been nominated for re-election to the Board, by our Board of Directors upon the recommendation of the Nominating and Corporate Governance Committee. Each nominee has consented to be named as a nominee and to serve if elected. Should any of the nominees become unable to serve as a director (which the Board does not expect), the Board may designate a substitute nominee. In that case, the persons named as proxies will vote for the substitute nominee designated by the Board. Proxies cannot be voted for a greater number of persons than the number of nominees named in this Proxy Statement.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE ELECTION OF LAURA A. PHILIPS, ROGER G. STOLL AND GABRIEL LEUNG AS DIRECTORS.

Information About Directors and Director Nominees. The following table sets forth certain information about our directors standing for re-election and about our directors whose terms will continue after the Annual Meeting.

| Name | Age | Position(s) with Delcath | Director Since |
|--|------------|---|-----------------------|
| <i>Nominees to serve as Class III Directors for terms expiring at the 2015 Annual Meeting</i> | | | |
| Laura A. Philips | 54 | Director | 2007 |
| Roger G. Stoll | 69 | Director | 2008 |
| Gabriel Leung | 50 | Director | 2011 ⁽¹⁾ |
| <i>Class I Directors Terms expiring at the 2013 Annual Meeting</i> | | | |
| Harold S. Koplewicz | 59 | Chairman of the Board | 2006 |
| Robert B. Ladd | 53 | Director | 2006 |
| <i>Class II Directors Terms expiring at the 2014 Annual Meeting</i> | | | |
| Eamonn P. Hobbs | 53 | President, Chief Executive Officer and Director | 2008 |
| Douglas G. Watson | 67 | Director | 2010 ⁽²⁾ |

(1) Mr. Leung's term as a director commenced March 30, 2011 to fill the vacancy on our Board created by an increase in the size of the Board of Directors.

(2) Mr. Watson's term as a director commenced July 12, 2010 to fill the vacancy on our Board created by the resignation of Richard L. Taney.

Board Nominees Class III Directors.

Laura A. Philips, Ph.D., MBA was appointed as a director in May 2007. Dr. Philips currently serves on the Boards of Directors of: Wellgen, Inc., where she serves on the audit committee; Boyce Thompson Research Institute, where she serves as vice chair, chairs the audit committee, and serves on the investment committees; and Americans for UNFPA where she is Treasurer, chairs the finance committee and serves on the executive committee. Wellgen Inc. is a privately held company developing nutraceutical products for health and wellness. Ms. Philips is also Chair Emeritus of the Board of Planned Parenthood of New York City. She served on the Board of Directors of China Yongxin Pharmaceuticals Inc., from March 2010-March 2011, where she served on

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the compensation committee and the audit committee. Dr. Philips is currently a consultant for early stage companies. From 2003 to 2006, she was Chief Operating Officer and Acting Chief Financial Officer of NexGenix Pharmaceuticals. Prior to that, she was Vice President, Program Management for the AMDeC Foundation. Dr. Philips worked at Corning Incorporated from 1997 to 2002, where she held several executive level positions including Program Director of the Fuel Cells Division and Director of Product Development for the Materials Division. From 1994 to 1996, Dr. Philips held various government positions in Washington, D.C., most recently in a Presidential appointment as Senior Policy Advisor to Secretary of Commerce Ronald Brown. Dr. Philips was on the faculty of Cornell University in the Department of Chemistry from 1987 to 1994 and was an NIH Post-Doctoral Fellow at the University of Chicago. She received a B.A. in Chemistry from Williams College, a Ph.D. in Physical Chemistry from the University of California Berkeley and an MBA with Distinction from Cornell University's Johnson School of Management. Dr. Philips' scientific and business knowledge and financial aptitude contribute to full discussion and evaluation by the Board of its objectives and alternatives. Dr. Philips currently serves on several other boards. The Nominating and Corporate Governance Committee considered these qualifications, in addition to her financial expertise and audit committee experience, as well as the overall composition of the Board, in making the determination that Dr. Philips should be a nominee for director of Delcath.

Roger G. Stoll, Ph.D. was appointed as a director in December 2008. From 2002 to 2008, he served as Chief Executive Officer and President of Cortex Pharmaceuticals, Inc. (CORX:OTCBB), where he was appointed Executive Chairman in August 2008. From 2001 to 2002, he was a consultant to several east coast venture capital firms and startup ventures. From 1998 to 2001, he was Executive Vice President of Fresenius Medical Care-North America, in charge of the dialysis products division and the diagnostic systems business units, which included hemodialysis machines and dialysis filters equipment. From 1991 to 1998, Dr. Stoll was Chief Executive of Ohmeda, a global leader in anesthesia pharmaceuticals and related operating room equipment and devices. He also served on the boards of directors of St. Jude Medical and the BOC Group, plc. From 1986 to 1991, Dr. Stoll held several executive management positions at Bayer, AG, including Executive Vice-President and General Manager for the worldwide Diagnostic Business Group. Prior to that, Dr. Stoll worked for American Hospital Supply Corp., where he rose from Director of Clinical Pharmacology to President of its American Critical Care Division. He began his pharmaceutical career at the Upjohn Company in 1972. Dr. Stoll obtained his B.S. in Pharmacy from Ferris State University, obtained a Ph.D. in Biopharmaceutics and Drug Metabolism at the University of Connecticut, and was a post-doctoral fellow for two years at the University of Michigan. Dr. Stoll also serves on the board of directors of Chelsea Therapeutics and School of Pharmacy Advisory Board of the University of Connecticut. Dr. Stoll currently serves on the Board of Directors of Chelsea Therapeutics International, Ltd. (CHTP: Nasdaq), and is a member of that Board's audit and compensation committees, his service commenced in 2008. The Nominating and Corporate Governance Committee considered Dr. Stoll's experience and qualifications, in addition to his relevant executive management and operational pharmaceutical experience, as well as the overall composition of the Board, in making the determination that Dr. Stoll should be a nominee for director of Delcath.

Gabriel Leung was appointed a director in March 2011. Mr. Leung is a 25+ year veteran of the pharmaceutical and biotechnology industry. Mr. Leung is currently Vice Chairman of Novocure, Ltd., a medical device company pioneering the fourth modality of cancer treatment. Mr. Leung served as President of the Oncology Unit of OSI Pharmaceuticals Inc., from 2005 until mid-2009, and then as President, Pharmaceutical Business, overseeing the oncology and diabetes businesses until its acquisition in 2010; and, prior to his appointment as President, (OSI) Oncology, as its Executive Vice President and President, Oncology Business beginning in 2003. Prior to joining OSI Pharmaceuticals, Mr. Leung was Group Vice President of Global Prescription Business at Pharmacia Corporation where he was employed from February 1999 to April 2003 and was a member of the CEO's Operating Committee from May 2001 to April 2003. He headed Pharmacia's Global Oncology Franchise where his responsibilities included medical affairs, marketing and sales worldwide in over 80 countries. Mr. Leung also co-chaired the Oncology Development Committee, which oversaw all oncology research and development projects and portfolio strategies. Prior to his employment with Pharmacia, Mr. Leung was at Bristol-Myers Squibb Company where he led the growth of Taxol® and Paraplatin® into the then first and

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second best-selling chemotherapeutic agents in the United States. Mr. Leung is a pharmacist and trained at the University of Texas at Austin where he earned his B.S. degree with High Honors. He attended graduate school at the University of Wisconsin-Madison where he earned his M.S. degree in Pharmacy, with concentration in pharmaceutical marketing. Mr. Leung is an active member of C-Change, a national initiative chaired by former U.S. President George H. Bush and Mrs. Barbara Bush with the goal of eliminating cancer as a major public health concern in the United States. Mr. Leung is also a member of the CEO Roundtable on Cancer, under which he serves as Vice-Chair of its Life Sciences Consortium. In January 2007, Mr. Leung was appointed by the directors of the National Cancer Institute as a member of the NCI Clinical Trial Advisory Committee. Mr. Leung is currently a member of the board of directors of Albany Molecular Research Inc. (AMRI: Nasdaq), and serves on its audit committee and research and development committee. The Nominating and Corporate Governance Committee considered Mr. Leung's commercial achievements in the pharmaceutical and oncology sectors and executive-level management experience in the pharmaceutical industry and his medical expertise in determining that Mr. Leung should be a nominee for director of Delcath.

Continuing Directors.***Class I Directors Terms Expiring at the 2013 Annual Meeting***

Harold S. Koplewicz, M.D. was appointed a director in September 2006 and was appointed Chairman of the Board in February 2007. He is one of the nation's leading child and adolescent psychiatrists, honored by the American Psychiatric Association, the American Society for Adolescent Psychiatry, and the American Academy of Child & Adolescent Psychiatry. In November 2009, he founded and became the President of the Child Mind Institute, the nation's only independent nonprofit dedicated to transforming mental health care for the world's children. In May 2006, he was appointed by then-New York Governor George Pataki to the position of Director of the Nathan S. Kline Institute for Psychiatric Research, where he was the third person to hold this position since the institution's founding in 1952. He completed his tenure at NKI in January 2011. In 2007, Dr. Koplewicz became the first Vice Dean of External Affairs at the NYU Langone Medical Center. In the first year of his tenure, over \$500 million in philanthropic support was raised for the Medical Center. Dr. Koplewicz founded the NYU Child Study Center in 1997 and served as its Director for twelve years. Under his leadership, the NYU Child Study Center made remarkable contributions to the field through expert clinical care, a robust research portfolio, and advocacy for child mental health. A graduate of Albert Einstein College of Medicine, Dr. Koplewicz completed his psychiatric residency at New York Hospital Westchester Division, a fellowship in Child Psychiatry at Columbia University's College of Physicians and Surgeons, a NIMH Research Fellowship at the New York State Psychiatric Institute, and the Executive Program in Health Policy and Management at Harvard University's School of Public Health. He has served as a member of the National Board of Medical Examiners and as a Commissioner of the New York State Commission on Youth, Crime and Violence and Reform of the Juvenile Justice System. Since 1997, he has been the Editor-in-Chief of the Journal of Child and Adolescent Psychopharmacology. He has also served as a member of the working group organized by the U.S. Assistant Surgeon General and the U.S. Department of Health and Human Services to address the effects of terrorism on children's mental health. The Nominating and Corporate Governance Committee considered Dr. Koplewicz's experience and qualifications, in addition to his leadership skills and valuable insights in the medical field, as well as the overall composition of the Board, in making the determination that Dr. Koplewicz should serve as a director of Delcath.

Robert B. Ladd was appointed a director in October 2006. Since February 2011, Mr. Ladd has served as President and Chief Executive Officer of MGT Capital Investments, a publicly traded holding company with interests in medical imaging technology. Since 2003, Mr. Ladd has also served as the founder and managing member of Laddcap Value Associates LLC, the general partner of Laddcap Value Partners LP, an investment management company. From 1988 to November 2002, Mr. Ladd served as a Managing Director of Neuberger Berman, an investment management company, where his responsibilities included serving as a portfolio manager for various high net worth clients and as a securities analyst. Mr. Ladd graduated from the University of Pennsylvania's Wharton School with a B.S. in Economics in 1980. He received his MBA from Northwestern University's Kellogg School of Management in 1983. Mr. Ladd has also earned a CFA designation.

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Mr. Robert Ladd served on the Board of Directors of InFocus Corp. from 2007 to 2009, a former public company, and currently serves on the Board of Directors of MGT Capital Investments, Inc. (MGT: NYSE Amex). The Nominating and Corporate Governance Committee considered Mr. Ladd's experience and qualifications, in addition to his financial acumen and insights to the Board gained from his broad financial experience, as well as the overall composition of the Board, in making the determination that Mr. Ladd should serve as a director of Delcath.

Class II Directors Terms Expiring at the 2014 Annual Meeting

Eamonn P. Hobbs was appointed President and Chief Executive Officer of Delcath in July 2009 and has been a director of Delcath since October 2008. He has over 30 years of experience in the interventional radiology, interventional cardiology and gastroenterology medical device industries. From 1988 until 2009, Mr. Hobbs was Co-founder, President and Chief Executive Officer of AngioDynamics, Inc. In 2004, AngioDynamics was spun off from E-Z-EM, Inc., a healthcare company focused on diagnostic technologies, where Mr. Hobbs served as Senior Vice-President since 1988. Before his involvement with these companies, Mr. Hobbs was the Director of Marketing and Product Development at North American Instrument Corporation (NAMIC), a medical device company later acquired by Boston Scientific. He was the Founder, President and Chief Executive Officer of Hobbs Medical, Inc., a private entity specializing in the design and development of diagnostic and therapeutic accessories for the gastrointestinal and pulmonary markets, and a Product Development Engineer at Cook Incorporated, a leading manufacturer of interventional radiology, interventional cardiology and gastroenterology medical devices. He received a Bachelor of Science in Plastics Engineering with a Biomaterials emphasis at the University of Massachusetts, Lowell in 1980. In addition, from 2001 to 2006, Mr. Hobbs served as the only industry member of the strategic planning committee of the Society of Interventional Radiology, was elected to and served from 2002 to 2008 on the Board of Directors of the Society of Interventional Radiology Foundation (SIRF) and was awarded an honorary Fellowship in the Society of Interventional Radiology in 2006. Mr. Hobbs is currently Chairman of the Medical Device Manufacturers Association (MDMA) a trade organization representing the medical device industry. From 2008 to 2010 Mr. Hobbs served on the Board of Sentinelle Medical Inc., a Toronto based private company specializing in MR Imaging Coils and interventional products. In 2010, Sentinelle Medical was acquired by Hologic Incorporated. Mr. Hobbs currently serves on the Board of Directors of Antares Pharma Co. (AIS: NYSE Amex), and is a member of that Board's audit committee, his service commenced in August 2009. Mr. Hobbs also served on the Board of Directors of AngioDynamics, Inc. (ANGO: Nasdaq) from 1988 to 2009. In 2009, Mr. Hobbs also joined the Board of Directors of Cappella Cardiovascular Innovations, Inc and was elected Chairman of the Board in 2010. The Nominating and Corporate Governance Committee considered these qualifications, in addition to his public company and medical device experience, together with his knowledge of drug/device combination products and marketing, as well as the overall composition of the Board, in making the determination that Mr. Hobbs should serve as a director of Delcath.

Douglas G. Watson was appointed as a director in July 2010. Since July 1999, Mr. Watson has been Chief Executive Officer of Pittencrieff Glen Associates, a leadership and management consulting firm, which he founded. Prior to that, Mr. Watson served as President and Chief Executive Officer of Novartis Corporation, the U.S. subsidiary of Novartis A.G., President and Chief Executive Officer of Ciba-Geigy Corporation, President of the Ciba Pharmaceuticals Division and Senior Vice President of Planning and Business Development of Ciba's U.S. Pharmaceuticals Division. Mr. Watson holds an M.A. degree in pure mathematics from Churchill College, Cambridge University, and is a member of the Chartered Institute of Management Accountants. Mr. Watson also serves on the Boards of OraSure Technologies, Inc. (OSUR: Nasdaq), BioMimetic Therapeutics, Inc. (BMTI: Nasdaq), and Dendreon Corporation (DNDN: Nasdaq) and previously served on the Boards of Engelhard Corporation (a former public company), Genta Inc. (GNTA: OTCBB) and Javelin Pharmaceuticals Inc. (a former public company). The Nominating and Corporate Governance Committee considered Mr. Watson's long business career and executive-level management experience in the pharmaceutical industry, his financial and accounting expertise and his service on the Boards and Board Committees of other private and public companies in determining that Mr. Watson should serve as a director of Delcath.

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Director Compensation 2011. The following table sets forth the compensation awarded to, earned by or paid to each director who served on our Board of Directors in 2011, other than Eamonn P. Hobbs, our Chief Executive Officer and President. Details of Mr. Hobbs' compensation are set forth under the heading "Executive Compensation - Summary Compensation Table."

| Name | Fees Earned or Paid in Cash | Stock Awards ⁽¹⁾⁽³⁾ | Options Awards ⁽²⁾⁽³⁾ | Total |
|--|-----------------------------|--------------------------------|----------------------------------|-----------|
| Pamela R. Contag, Ph.D. ⁽⁴⁾ | \$ 20,615 | \$ | \$ | \$ 20,615 |
| Harold S. Koplewicz, M.D. | 66,000 | 49,999 | | 115,999 |
| Robert B. Ladd, MBA, CFA | 66,500 | 49,999 | | 116,499 |
| Laura A. Philips, Ph.D., MBA | 78,500 | 49,999 | | 128,499 |
| Roger G. Stoll, Ph.D. | 73,000 | 49,999 | | 122,999 |
| Gabriel Leung | 44,500 | 49,999 | 75,021 | 169,520 |
| Douglas G. Watson | 72,500 | 49,999 | | 122,499 |

- (1) Represents the grant date fair value of each director's restricted stock awards granted in 2011, computed in accordance with Financial Accounting Standards Board's Accounting Standards Codification (FASB ASC) Topic 718. Each director was granted 8,347 shares of restricted stock at \$5.99, the closing price of Delcath's common stock on May 26, 2011. Subject to continued service as a director, the restricted stock vests one year from grant. During the vesting period, directors have all of the rights of a stockholder with respect to the restricted stock, including the right to vote such shares and to receive dividends thereon. Nonvested shares are subject to forfeiture and may not be sold, exchanged or otherwise transferred.
- (2) Represents the grant date fair value for option awards granted during the fiscal year ended December 31, 2011, computed in accordance with FASB ASC Topic 718. Mr. Leung was granted an option to purchase 15,006 shares of common stock at \$7.36, the closing price of our common stock on March 30, 2011. The methodology and assumptions used to calculate the grant date fair value are described in Note 3, "Stockholders' Equity" of our Form 10-K.
- (3) We caution that the amounts reported for these awards may not represent the amounts that the directors will actually realize from the awards. Whether, and to what extent, a director realizes value will depend on Delcath's stock price and the director's service on our Board.
- (4) Dr. Contag's term expired at the 2011 Annual Meeting and she did not stand for re-election.

The Compensation Committee reviews and recommends to the Board of Directors appropriate director compensation programs for service as directors, committee chairmanships, and committee members. In order to determine the Board of Directors compensation framework for 2011, the Compensation Committee reviewed comparative market composite data about director compensation practices of pharmaceutical, medical device and biopharma companies similar to Delcath in their business and development stage, revenues and market capitalization, derived from a peer group of 14 public companies developed by Pearl Meyer & Partners, LLC ("PM&P"), our independent compensation consultant. This peer group was also utilized in the executive competitive analysis used to determine pay decisions for 2011.

The following table summarizes the Board of Directors compensation framework in 2011:

| | Chairperson Retainer | Member Retainer | Fee per Meeting (in person) | Fee per Meeting (via telephone) |
|---|----------------------|---------------------|-----------------------------|---------------------------------|
| Board of Directors | \$13,750 per quarter | \$7,500 per quarter | \$ 1,000 | \$ 500 |
| Audit Committee | \$ 4,000 per quarter | | \$ 1,500 | \$ 1,500 |
| Compensation Committee | \$ 3,000 per quarter | | \$ 1,000 | \$ 1,000 |
| Nominating and Corporate Governance Committee | \$ 3,000 per quarter | | \$ 1,000 | \$ 1,000 |

In addition, on the date of each annual meeting of stockholders, non-employee directors will be granted shares of restricted stock having a grant date fair value of \$50,000 and vest one year from grant. Newly appointed

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non-employee directors will be granted options to purchase shares of our common stock having a grant date fair value of \$75,000, that vest ratably over three years from grant. The shares of restricted stock and options will be granted pursuant to Delcath's 2009 Stock Incentive Plan, as amended (the "2009 Plan").

Additionally, we reimburse all non-employee directors for their reasonable out-of-pocket travel expenses incurred in attending meetings of our Board of Directors or any committees of the Board.

Effective for 2012, our Board Chair will receive a cash retainer of \$16,250 per quarter instead of \$13,750 and will receive \$2,000 for each Board meeting attended in person instead of \$1,000. In addition, on the date of each annual meeting of stockholders, our Board Chair will be granted shares of restricted stock having a grant date fair value of \$75,000 instead of \$50,000.

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

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

| Name | Age | Office Currently Held |
|--------------------------------|------------|--|
| Eamonn P. Hobbs ⁽¹⁾ | 53 | President and Chief Executive Officer |
| Agustin V. Gago | 52 | Executive Vice President, Global Sales |
| Peter J. Graham | 45 | Executive Vice President, General Counsel and Global Human Resources |
| Krishna Kandarpa, M.D., Ph.D. | 61 | Executive Vice President, Research and Development and Chief Medical Officer |
| Harold Mapes | 52 | Executive Vice President, Global Operations |
| David A. McDonald | 51 | Executive Vice President, Business Development |
| Graham G. Miao | 47 | Executive Vice President, Chief Financial Officer |
| John Purpura | 50 | Executive Vice President, Regulatory Affairs and Quality Assurance |
| Jennifer Simpson | 43 | Executive Vice President, Global Marketing |
| Barbra C. Keck | 34 | Vice President, Controller |

- (1) Information about Mr. Hobbs is provided under the heading Information about Directors and Director Nominees Continuing Directors Class II Directors Terms Expiring at the 2014 Annual Meeting.

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

Agustin V. Gago joined Delcath in November 2009 and has been Executive Vice President, Global Sales since March 2011. From November 2009 until March 2011 he served as Executive Vice President, Global Sales and Marketing. Prior to joining Delcath, he was Vice President for International Oncology Surgery Sales at AngioDynamics, Inc., since 2008. From 2002 to 2008, he was Vice President for the Global GI Business Unit at E-Z-EM, Inc., and from 1998 to 2002 he was Vice President of International Operations at E-Z-EM, Inc. Mr. Gago earned his B.S. in Business Management at Hofstra University and diplomas in International and Export Practices at universities overseas.

Peter J. Graham joined Delcath in April 2010 and has been Executive Vice President, General Counsel and Global Human Resources since May 2011. From April 2010 until May 2011, he served as Executive Vice President, General Counsel. Prior to joining Delcath, he was Vice President, General Counsel and a member of the Executive Committee of ACIST Medical Systems, Inc. from April 2008 to April 2010. Prior to 2008, Mr. Graham spent 11 years at E-Z-EM, Inc. holding various senior level management positions including Senior Vice President, Chief Legal Officer, Global Human Resources and Secretary from 2005 to 2008 and Vice President, General Counsel and Secretary from 2001 until 2005. From 1997 until 2004 Mr. Graham also served as General Counsel and Secretary for AngioDynamics, Inc. then a wholly owned subsidiary of E-Z-EM, Inc. Mr. Graham earned his J.D. at Yeshiva University's Benjamin N. Cardozo School of Law and his B.A. at the University of Wisconsin-Madison.

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

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Engineering Science & Mechanics from Penn State University and a B.S. in Aerospace & Mechanical Engineering from Washington University (St. Louis). Dr. Kandarpa is past-President (1997-2001) and past-Chair (2001-2002) of the Cardiovascular & Interventional Radiology Research and Education Foundation (CIRREF) of the Society of Interventional Radiology (SIR). He completed his final term on the Board of Directors of the Academy of Radiology Research in 2007. Dr. Kandarpa has authored over 50 original peer-reviewed scientific publications, including book chapters and solicited review articles, and is the author/editor of several specialized books, including *The Handbook of Interventional Radiologic Procedures*, and a textbook entitled *Peripheral Vascular Interventions* (2008). Dr. Kandarpa is listed in *America's Top Doctors*.

Harold Mapes joined Delcath in May 2011 as Executive Vice President, Global Operations. Prior to joining Delcath, Mr. Mapes was Senior Vice President of Operations at AngioDynamics, Inc., where Mr. Mapes was responsible for global sourcing, inventory, engineering, production, distribution, and operations across four sites employing 300 workers. In his 18 years at AngioDynamics, he also held the positions of Vice President Operations, Director of Operations and Manufacturing Engineering, and Product Development Project Manager. In those roles, he coordinated the strategic corporate planning function, reduced manufacturing costs through implementation of lean manufacturing methods, and improved production performance by focusing on continuous improvement and compliance. Mr. Mapes has also held leadership positions in Operations at Mallinckrodt Medical, Inc. (now Merit Medical), National-Standard Co., and IBM's Federal Systems Division. Mr. Mapes earned a BS in Mechanical Engineering from Trine University, Angola, Ind., and an MBA from the State University of New York at Albany.

David A. McDonald has been Executive Vice President, Business Development since September 2011. Mr. McDonald previously served as Delcath's Chief Financial Officer from September 2009 to September 2011. He was formerly the Senior Vice President of Business Development at AngioDynamics, Inc., where he led the company's business development activities. Mr. McDonald founded Minneapolis-based Cornerstone Healthcare Advisors LLC in April 2005, which he led until joining AngioDynamics in July 2008. At Cornerstone he provided advisory and consulting services to emerging medical technology companies and their financial sponsors. Prior to 2005, Mr. McDonald was a Managing Director and leader of Medical Technology Investment Banking at RBC Capital Markets. Before his involvement with these companies, Mr. McDonald was a Senior Vice President and Equity Portfolio Manager at Investment Advisers, Inc. as well as a research analyst covering the healthcare industry for more than a dozen years. He received a Bachelor of Arts Degree in Economics from St. Olaf College in Northfield, Minnesota in 1982.

Graham G. Miao joined Delcath as Executive Vice President and Chief Financial Officer in September 2011. He served most recently as Chief of Staff, Global CFO Organization and member of the Financial Leadership Team at Dun & Bradstreet Corporation since 2009 where he worked with CFO and senior management team to drive corporate strategic initiatives and Board deliverables. Previously, Mr. Miao was Executive Vice President & CFO of Pagoda Pharmaceuticals, a Shanghai-based specialty pharmaceuticals and medical device company. Prior to joining Pagoda, Mr. Miao was Vice President of Strategic Planning & Financial Analysis at Symrise Inc., a German supplier of flavoring and fragrance products. In this role Mr. Miao served as division-CFO responsible for driving profitable growth of a \$700 million business line. Mr. Miao was also Senior Director for Global Primary Care and Global Medical Affairs at Schering-Plough Corporation, serving as the division-CFO for the company's \$3 billion primary care pharmaceuticals franchise. Prior to his time at Schering-Plough, Mr. Miao was at Pharmacia Corporation, serving as Director-Head of Finance for Pharmacia's \$1.3 billion Global Oncology franchise where he led finance teams across marketing, sales, medical affairs, business development, and mergers & acquisitions. Earlier in his career, Mr. Miao worked as a biotechnology analyst at J.P. Morgan and Company. Mr. Miao earned an M.B.A. in finance and a Ph.D. in biological sciences from Columbia University, an M.S. in molecular biology from Arizona State University, and a B.S. in biochemistry from Fudan University in Shanghai, China.

John Purpura joined Delcath as Executive Vice President, Regulatory Affairs and Quality Assurance in November 2009. Prior to joining Delcath, he was with E-Z-EM, Inc. as Vice President and then Executive

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

Jennifer Simpson joined Delcath as Executive Vice President, Global Marketing in March of 2012. From 2011 to 2012, Ms. Simpson served as the Vice President, Global Marketing, Oncology Brand Lead at ImClone Systems, Inc. (a wholly- owned subsidiary of Eli Lilly and Company), where she was responsible for all product commercialization activities and launch preparation for one of the late stage assets. From 2009 to 2011, Ms. Simpson served as the Vice President, Product Champion and from 2008 to 2009 as the Associate Vice President, Product Champion for ImClone's product Ramucirumab. From 2006 to 2008, Ms. Simpson served as Product Director, Oncology Therapeutics Marketing at Ortho Biotech (now Janssen Biotech), a Pennsylvania-based biotech company that focuses on innovative solutions in immunology, oncology and nephrology. Earlier in her Career, Ms. Simpson spent over a decade as a hematology/oncology-nurse practitioner and educator. Ms. Simpson earned a Ph.D. in Epidemiology from the University of Pittsburgh, an M.S. in Nursing from the University of Rochester, and a B.S. in Nursing from the State University of New York at Buffalo.

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

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EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Our Compensation and Stock Option Committee, or Compensation Committee, is comprised entirely of independent directors and oversees our executive compensation program and determines all compensation for our Executive Officers. The term Named Executive Officers (NEOs) refers to those individuals who served as our CEO, our CFO and our next three highest paid executive officers in 2011 as noted below:

| Name | Title |
|-------------------|---|
| Eamonn P. Hobbs | President and Chief Executive Officer |
| David A. McDonald | Chief Financial Officer (1/1/11-9/26/11); Executive Vice President, Business Development (9/26/11-12/31/11) |
| Graham G. Miao | Chief Financial Officer (9/26/11-12/31/11) |
| Krishna Kandarpa | Executive Vice President, Research and Development and Chief Medical Officer |
| Agustin V. Gago | Executive Vice President, Global Sales and Marketing |
| Peter J. Graham | Executive Vice President, General Counsel and Global Human Resources |

Executive Summary.

Performance Highlights of 2011. The medical device and pharmaceutical industries are highly competitive. As a development stage company our primary focus is to obtain approval in the United States, the European Union and other foreign markets for the Delcath chemosaturation system. The Delcath chemosaturation system is designed to deliver high doses of melphalan hydrochloride, or melphalan, directly to the liver while limiting the overall systemic exposure of this agent on the human body. Our ultimate goal is to successfully market the Delcath chemosaturation system both within and outside the United States. Our accomplishments in 2011 were significant due to the individual and collective efforts of our executive management team and, while we suffered a set back at the beginning of 2011 when we received a Refusal to File Letter from the United States Food and Drug Administration, or FDA, for our New Drug Application, or NDA, we made great strides in moving the Company forward in 2011 and the early part of 2012. The following are key highlights of the Company's 2011 achievements, including:

we raised approximately \$23.8 million in aggregate funds (net of expenses) and established an at-the-market sales program to finance general corporate purposes, including, but not limited to, obtaining regulatory approvals, research and development, commercialization of our products, funding of our clinical trials, capital expenditures and working capital;

we obtained the right to affix the CE Mark to the Delcath Hepatic CHEMOSAT System which allows us to market and sell the system in the European Economic Area, or EEA ;

we filed an application seeking the CE Mark for Generation 2 of our CHEMOSAT System and obtained CE Mark approval for the CHEMOSAT Generation Two system in April 2012;

we established our European Headquarters in Galway, Ireland to support our commercialization efforts in Europe, obtained ISO 13485 certification for this facility, and initiated key hires across Europe;

we received regulatory approval for the CHEMOSAT System in Australia, completed the product notification process in New Zealand, and have submitted applications for regulatory approval in Hong Kong, South Korea and Singapore;

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we continued to prepare our §505(b)(2) New Drug Application, or NDA, for the FDA; and

we continued to further strengthen our executive management team by hiring additional highly skilled, exceptionally experienced executives poised to lead Delcath from the development stage to commercial operations.

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Executive Compensation Philosophy. Our Compensation Committee is responsible for formulating and establishing our overall compensation philosophy with respect to our executive officers. The Company believes that a strong executive management team comprised of talented individuals in key positions at the Company is critical to the development and growth of our business and to increasing stockholder value. Accordingly, a key objective of executive compensation is to attract and retain talented and experienced individuals, while motivating them to perform and make decisions consistent with Delcath's business objectives, goals and culture. In furtherance of these objectives, we provide a competitive total compensation program for our executive officers that fairly compensates our executives and emphasizes pay-for-performance by linking executive compensation to individual performance and Company performance, while maintaining a balance among base salary, annual incentive cash bonuses and long-term equity incentive awards to mitigate risk-taking at the expense of Delcath and its stockholders. For each executive, the amount of pay that is actually realized is primarily driven by Delcath's performance and each executive's personal contribution to that performance.

Our executive compensation decisions are based on the following fundamental philosophies and objectives of our Compensation Committee:

compensation should be based on an individual's level of responsibility, individual performance and company performance. As employees progress to more senior positions, their compensation should be increasingly linked to Company performance because they are more able to affect our results;

compensation should reflect the value of the position in the marketplace. To attract, motivate and retain skilled and experienced executives in the highly competitive and dynamic medical device/pharmaceutical industries, we must offer a competitive compensation package;

compensation should reward good performance, and our programs are designed to align pay-for-performance. We reward outstanding individual and Company performance with appropriate compensation and provide less compensation when Company or individual objectives are not achieved;

compensation programs should align the interests of our executive officers with those of our stockholders by evaluating and rewarding our executives' performance based on key financial and non-financial measurements that are critical to our success and increasing stockholder value; and

compensation programs should motivate executives to manage our business to meet our short- and long-term objectives, by rewarding them for meeting these objectives.

Executive Compensation Program. Our Compensation Committee uses formal policies and processes to evaluate and assess the compensation of our executive officers. These policies and processes are reflected in compensation decisions for 2011 (and, for 2012), and signify our Compensation Committee's commitment to align executive compensation with the business objectives and performance of the Company. We reward our executive officers in a manner that supports a philosophy of pay-for-performance while maintaining an overall level of compensation that is competitive with the compensation paid to similarly situated executive officers in the medical device/pharmaceutical industries; we call this our Total Rewards Program. Our Compensation Committee used or will use the following compensation components, processes and programs to review, assess and establish executive compensation:

Compensation Components. The three primary components of executive compensation are base salary, annual incentive cash awards and long-term equity incentive awards. These components are administered with the goal of providing total compensation that is competitive in the marketplace, while recognizing meaningful differences in individual performance and offering the opportunity to earn superior rewards when merited by individual and Company performance.

Base Salary. We pay our executive officers a base salary, which our Compensation Committee reviews and determines annually. Base salaries are used to compensate our executive officers for performing the core responsibilities of their positions and to provide

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them with a level of security with respect to a portion of their total compensation. Base salaries are set in part based on the executive's unique skills, experience and expected contribution to the Company, as well as individual performance, including the

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impact of such performance on our business results, and the period of the executive's performance. Decisions regarding base salary increases take into account, the executive's current base salary, third-party benchmark and survey data, and the salary compensation paid to executive officers within and outside the Company, as well as the Company's overall performance and its success in achieving its operational and strategic goals and objectives, and the executive officer's contribution to Company performance.

Annual Incentive Cash Awards. Annual incentive compensation is intended to establish a direct correlation between annual cash awards and the performance of the Company. The Company's Annual Incentive Plan, or AIP, is an annual incentive cash bonus plan designed to align the interests of participants with the interests of the Company and its stockholders. The AIP is designed to strengthen the link between a participant's pay and his or her overall performance and the Company's performance, focus participants on critical individual and corporate objectives, offer a competitive cash incentive, and encourage and reward performance and competencies critical to the Company's success.

Long-Term Incentive Compensation. In addition to using base salaries and annual incentive cash bonuses, which our Compensation Committee views as short-term compensation, to reward our executive officers for meeting Company and individual performance objectives, a portion of our executive compensation is in the form of long-term equity compensation. Long-term incentive compensation is an area of emphasis in the Company's strategy to compensate its named executive officers, as this will align a significant portion of each executive's total compensation with the long-term performance of the Company and the interests of the Company's stockholders. Our Long-Term Incentive Plan, or LTIP, is an annual equity-based incentive plan designed to better align participants' interests with those of the Company and its stockholders by rewarding participants for their contributions to the long-term success of the Company. The LTIP is designed to incentivize Company leaders to focus on the long-term performance of the Company, offer participants competitive, market-based long-term incentive award opportunities, and strengthens the link between a participant's compensation and his or her overall performance and the Company's overall performance. We believe the LTIP will further assist us in achieving an appropriate balance between our long- and short-term performance as well as between the achievement of annual operating objectives and long-term delivery of stockholder return by providing compensation commensurate with overall delivery of Company performance.

Historically, long-term equity awards made to executives have been in the form of stock options and restricted stock awards because the Compensation Committee believes that a combination of stock options and restricted stock directly align with stockholder interests. For executive officers, the Compensation Committee determines the number of options and restricted shares to grant based on its consideration of awards to executives in similar positions at similarly situated companies, and in keeping with the Company's objective of offering a competitive total compensation value. Stock option and restricted stock grants generally are made to each named executive officer upon his or her joining the Company with additional grants being made annually as determined by the Compensation Committee. Equity incentive awards are granted pursuant to Delcath's 2009 Stock Incentive Plan, as amended (the 2009 Plan).

Market Composite Data. In determining 2011 executive pay decisions, PM&P, our independent compensation consultant, provided the Compensation Committee with comparative market composite data regarding the compensation practices of pharmaceutical, medical device and biopharma companies similar to Delcath in their business and development stage, and revenues and market capitalization, using a peer group of 14 public companies and data from two independent third-party surveys.

Target Compensation. Using market composite data our Compensation Committee will strive to achieve an appropriate balance among base salary, annual incentive cash bonuses and long-term equity incentive awards in order to meet our compensation objectives, and target to set total executive

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compensation around the market median of the executive compensation comparison group. In making executive compensation decisions, including establishing a balance between short- and long-term compensation our Compensation Committee will consider, among other things, individual performance, experience, past compensation levels of each of our named executives, existing levels of equity ownership, and general trends in executive compensation.

2011 Pay Decisions. Although we achieved many accomplishments during 2011 as summarized previously, we unfortunately encountered a set back at the beginning of 2011, when we received a Refusal to File letter from the FDA for the NDA submitted in 2010. As disclosed in last year's proxy, we chose to reduce the 2010 incentive award (paid in 2011) by 20% in consideration of the receipt of the Refusal to File letter in February. Although we continued to make progress towards resubmitting the NDA to the FDA during 2011 and expect to resubmit by the end of the second quarter in 2012, our total shareholder return unfortunately was impacted substantially over the past year as were the in-the-money value of any outstanding equity awards for our executives.

As a result of our performance in 2011, our compensation plans resulted in the following:

Modest merit increases ranging between 1.7% and 3.9% of base salary for 2012 (excluding market adjustments to bring executives within competitive market range).

Based on a comprehensive review of our achievement on five corporate performance objectives, including our ongoing work to successfully resubmit our NDA with the FDA in 2012, only 75% of the target opportunity for the corporate performance portion of the annual incentive plan was earned in 2011. Overall, actual 2011 incentives (paid in 2012) were below target levels for all executives and employees.

The average long-term incentive award, taken as a whole, for our Named Executive Officers granted in 2012 were smaller than the awards granted in 2011.

All executives currently hold a significant number of underwater options (i.e. exercise price is higher than the current stock price). The following charts show the mix of total direct compensation actually earned by our CEO and the average of that actually earned by our other NEOs for 2011:

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Effect of the 2011 Advisory Vote on NEO Compensation. The Company provides its shareholders with the opportunity to cast an annual advisory vote on executive compensation (a say-on-pay proposal). At the Company's 2011 Annual Meeting of Shareholders, a majority (78.4%) of the votes cast on the say-on-pay proposal at that meeting were voted in favor of the proposal. The Compensation Committee believes this affirms shareholders' support of the Company's approach to executive compensation, and did not significantly change its approach in 2011. The Compensation Committee takes the response of the shareholders seriously and will accordingly provide annual say-on-pay votes. The Compensation Committee will continue to consider the outcome of the Company's say-on-pay votes, regulatory changes and emerging best practices when making future compensation decisions for the named executive officers.

Interface of Executive Officers with Compensation Committee in Determining Compensation.

The Compensation Committee, based on input from the Company's Chief Executive Officer, determines the compensation of our executive officers. Our CEO assists the Compensation Committee by providing performance assessments and compensation recommendations for each of the Company's executive officers, including the named executive officers (other than the CEO). Other than completing a self-evaluation performance review, and submitting it to the Compensation Committee, the CEO does not participate in the formulation or discussion of his compensation. All decisions related to the compensation of the CEO require approval of the full Board of Directors after recommendations are made by the Compensation Committee.

Each year the Compensation Committee, along with the entire Board of Directors, establishes the corporate performance objectives. These objectives become the CEO's performance objectives and are used to evaluate his individual performance relative to Company performance, and further ensuring that individual performance objectives are established for our other executive officers, and are aligned with and are consistent with the individual objectives for our CEO and the Company objectives. For purposes of 2011 executive compensation decisions, the Compensation Committee independently evaluated all the business objectives that were established for 2011, individual performance versus stated objectives, and overall Company performance in making its executive compensation recommendations. Based on this review, the Compensation Committee determined that only 75% of the target opportunity for the corporate performance portion of the annual incentive plan was earned in 2011. While individual performances varied, the amount which could be allocated to the performance bonus based on corporate performance was capped at 75% for each executive officer of the Company.

Role of Compensation Consultants.

The Compensation Committee retained PM&P as its independent compensation consultant to assist the Compensation Committee in evaluating executive compensation programs and setting executive officers' compensation. PM&P reports directly to the Compensation Committee, and PM&P is not permitted to perform services for management unless approved by the Compensation Committee. Throughout 2011, PM&P reviewed executive compensation trends and new (and proposed) executive compensation regulations and reporting requirements with the Compensation Committee. Additionally, PM&P provided competitive market information in order to benchmark the compensation package for new executive officers. Representatives of PM&P attended all regularly scheduled meetings of the Compensation Committee, as well as all of the preparatory meetings with the Compensation Committee Chair, and attended all Compensation Committee executive sessions as requested. PM&P also assisted with various ad hoc projects upon the request of the Committee.

Inputs to Committee Decision Making.

Performance Evaluation Process. Delcath utilizes a formal annual performance review program to evaluate our executives' competencies as well as individual performance objectives. The competencies in the program include: commitment to quality, integrity & ethics, results oriented, teamwork, dependability, job knowledge and productivity. Each executive is rated on his or her competencies at year end and a final average total rating is calculated. Individual performance objectives, which are set at the beginning of the year, while specific to each

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executive officer based on his or her role and area of focus, are linked to the Company's overall performance and attainment of Company objectives. Following completion of the performance year, the Compensation Committee assesses the individual performance objectives of our executive officers. The information gathered as part of this evaluation process was used by our Compensation Committee to assist it in making compensation decisions related to 2011 base salary adjustments and incentives awards (both short- and long-term).

Market Composite Data. The Compensation Committee reviews our executive officers' base salaries and overall compensation packages annually. In late 2010, PM&P provided the Compensation Committee with information about the compensation practices of pharmaceutical, medical device and biopharma companies similar to Delcath in their business and development stage, revenues and market capitalization, and derived from a peer group of 14 public companies and from two independent third-party surveys. The third-party surveys employed specific parameters for comparative companies, such as revenue, industry, number of employees and executive role perspectives, and PM&P used the following criteria to develop the comparative peer group that the Compensation Committee used in assessing the competitiveness of Delcath executive compensation for purposes of fiscal 2011 compensation actions:

Market Capitalization greater than \$110M

Revenues between \$0M - \$100M

Industry / product similarity Drug Delivery Systems / Medical Device companies with a focus on cancer/oncology and Pharmaceuticals / Biopharmaceuticals / Biotherapeutics companies with a cancer focused drug.

The resulting peer group consisted of the following 14 firms:

| | |
|------------------------------|--------------------------------|
| Alexza Pharmaceuticals Inc. | Electro-Optical Sciences, Inc. |
| Allos Therapeutics Inc. | Geron Corp. |
| Alnylam Pharmaceuticals Inc. | Halozyme Therapeutics Inc. |
| Antares Pharma Inc. | Inovio Pharmaceuticals, Inc. |
| Ardea Biosciences Inc. | MannKind |
| ARIAD Pharmaceuticals Inc. | MAP Pharmaceuticals Inc. |
| DURECT Corp. | ZIOPHARM Oncology Inc. |

The Compensation Committee generally targets around the median percentile range of the competitive market for the various elements of compensation, yet individual executives may be paid above or below this point depending upon, among other factors, the skills and experience, tenure in the position, overall individual performance and additional responsibilities of the executive. In addition to evaluating the peer group data, the Compensation Committee surveys the database from a broader pharmaceutical, medical device and biopharma industry perspective in order to ensure that the peer group falls with the ranges of the broader surveys. Overall, the Compensation Committee attempts to maintain individual compensation within competitive ranges, with some exceptions based on prior experience and compensation history for each individual.

In late 2011, PM&P conducted an update to the 2010 executive compensation review and updated the peer group for the analysis. The following companies which were included in the 2011 peer group were excluded since they fell outside of the revenue and/or market cap ranges: Alexza Pharmaceuticals Inc., ARIAD Pharmaceuticals Inc., and Inovio Pharmaceuticals, Inc. These companies were replaced by: Array BioPharma Inc., ArQule Inc., Curis Inc., Infinity Pharmaceuticals and Micromet Inc. Data from the revised peer group and industry-specific survey sources were used in setting executive pay levels for 2012.

Components of Executive Compensation and 2011 Decisions.

Base Salary. The Market Composite Data indicated that the 2010 base salaries of our executive officers ranged between <25th and 75th percentiles of the executive compensation comparison group. Based on the Market Composite Data, the Compensation Committee decided to increase the base salaries of our named executive officers for 2011, with merit increases ranging from 2.5% and 4% across the named executive officer group.

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As discussed previously, an update to the executive competitive assessment was conducted in late 2011 and the analysis was used to make pay decisions for 2012. Similar to the results in 2010, the competitive positioning in regards to base salaries for our executive officers ranged between < 25th and 75th percentiles. For 2012, the Committee approved merit increases ranging between 1.7% and 3.9% for the NEOs.

The following table summarizes the amount of base salary and year-over-year increase for each of our named executive officers for 2011 and 2012.

| Position | Executive | Hire Date | 2010 Base Salary | Percent Increase in 2011 | 2011 Base Salary | Percent Increase in 2012 | 2012 Base Salary |
|---|-----------|-----------|---------------------------|--------------------------|------------------|--------------------------|------------------|
| Chief Executive Officer | Hobbs | 7/06/09 | \$ 435,417 ⁽¹⁾ | 4.0% | \$ 468,000 | 3.6% | \$ 485,000 |
| Chief Financial Officer/Executive Vice President, Business Development ⁽²⁾ | McDonald | 9/14/09 | \$ 325,000 | 2.5% | \$ 333,125 | 3.0% | \$ 343,119 |
| Chief Financial Officer ⁽³⁾ | Miao | 9/26/11 | NA | NA | \$ 325,000 | 1.7% | \$ 330,363 |
| Executive Vice President, Global Sales and Marketing ⁽⁴⁾ | Gago | 11/02/09 | \$ 285,000 | 2.5% | \$ 292,125 | 6.9% | \$ 312,203 |
| Executive Vice President, General Counsel and Global Human Resources ⁽⁵⁾ | Graham | 4/20/10 | \$ 270,000 | 16.0% | \$ 313,100 | 5.4% | \$ 330,154 |
| Executive Vice President, Research & Development and Chief Medical Officer | Kandarpa | 10/20/09 | \$ 375,000 | 3.1% | \$ 386,625 | 3.0% | \$ 398,224 |

(1) Mr. Hobbs' base salary for 2010 was \$425,000, from January – July 2010, and \$450,000 from August 2010 – December 31, 2010.

(2) Mr. McDonald was Chief Financial Officer until September 2011 and then moved into a new role as Executive Vice President, Business Development.

(3) Mr. Miao was hired on 9/26/11 and received a pro-rated merit increase of 1.7%.

(4) Mr. Gago received a 3.5% merit adjustment and a 3.4% market adjustment in 2012 to align his salary closer to the 50th percentile of the market.

(5) Mr. Graham received a 3% merit adjustment and a 13% market adjustment in 2011 to bring his salary more in line with competitive market pay practices for this position with additional responsibilities for the Human Resources function. In 2012, he received a 3.9% merit adjustment and a 1.6% market adjustment to align his salary closer to the 50th percentile of the market.

Annual Incentive Plan. Under the AIP, annual incentive award opportunities are expressed as a percentage of a participant's actual base salary for the performance year, beginning January 1. If earned, AIP awards will generally be paid on or before March 15 of the immediately following fiscal year. For 2011, actual awards range from 0% to a maximum of 100% of the total award opportunity and are measured against the achievement of corporate financial and non-financial performance objectives as well as individual performance goals and objectives. The corporate performance objectives are established at the beginning of the performance year by the Company's Board of Directors or the Compensation Committee. The President and Chief Executive Officer's individual performance goals and objectives are the same as the corporate performance objectives, while the individual performance goals for the CEO's direct reports are recommended by the CEO and approved by the Compensation Committee. The weights assigned to Company and individual performance components vary by level of a participant's position in the Company. For the CEO, 100% of his incentive is tied to corporate performance. For the remaining named executive officers, 75% is assigned to corporate performance and 25% to individual performance.

The maximum total payout under the AIP is equal to a percentage of the Company's operating profit (operating profit/(loss) defined as before the cost of the AIP is deducted) as determined by the Committee; and,

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in the event total AIP award payouts would exceed the annual percentage limitation of the Company's operating profit/(loss), all bonus payments will be reduced so as not to exceed the annual percentage limitation. Moreover, no AIP awards will be paid to a participant under the AIP if the participant is placed on a performance enhancement plan.

The table below summarizes our named executive officers' annual target incentive cash award opportunities for 2011 and 2012 under the AIP:

| Position | Executive | 2011 and 2012 Target AIP |
|--|-----------|--|
| | | Opportunities (as % of Base Salary) |
| Chief Executive Officer | Hobbs | 50% |
| Executive Vice President, Business Development | McDonald | 40% |
| Chief Financial Officer | Miao | 40% |
| Executive Vice President, Global Sales and Marketing | Gago | 40% |
| Executive Vice President, General Counsel and Global Human Resources | Graham | 40% |
| Executive Vice President, Research and Development and Chief Medical Officer | Kandarpa | 40% |

Corporate performance in 2011 was measured based upon achievement of corporate objectives in the following areas: (1) Product development and intellectual property; (2) International regulatory; (3) Domestic regulatory; (4) Profit and loss and (5) Manufacturing. The table below summarizes the corporate performance in 2011, the assigned weighting and the actual achievement for each area:

| Performance Measure | Weighting | Summary of Target Goals | Actual Performance | Percentage Earned (as % of Target Goals) |
|---|-----------|--|---|--|
| Product Development and Intellectual Property | | Develop new trade secret for filter media process, verifying design and media meet certain design requirements | All goals achieved | |
| | 20% | Establish manufacturing facility for filter | | 100% |
| International Regulatory | | Submit application for CE Mark for the second generation filter | | |
| | | Obtain the CE mark by end of May 2011 | CE mark obtained and commercialization process initiated, but no commercial sales recorded by the end of 2011 | |
| | 25% | Initiate commercialization process in key European markets by the end of 2011 | | 80% |
| Domestic Regulatory | | Obtain first financially recorded commercial sales by the end of 2011 | | |
| | 20% | Obtain FDA acceptance of NDA filing by March 1, 2012 | NDA resubmission not filed, but the Committee chose to give partial payout to reflect the very substantial efforts underway towards achieving this goal | 37.5% |

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| Performance Measure | Weighting | Summary of Target Goals | Actual Performance | Percentage Earned (as % of Target Goals) |
|--|------------------|---|---|---|
| Profit and Loss | 20% | Raise appropriate capital necessary to support ongoing business operations | Raised \$23.8 million in aggregate funds (net of expenses) and established an at-the-market sales program to finance general corporate purposes | 62.5% |
| | | Implement additional mechanisms to raise necessary capital | | |
| Manufacturing | 15% | Manufacture sufficient inventory to support European launch and commercialization | All goals achieved | 100% |
| | | Develop innovation necessary to file certain patent applications related to the drug delivery system prior to the end of 2011 | | |
| Total Percentage Earned (as a % of Target Goals) | | | | 75% |
| <i>Eamonn Hobbs, President and Chief Executive Officer</i> | | | | |

Based upon the overall achievement of the Corporate objectives, the Committee approved an incentive award equal to 75% of the target opportunity for the CEO.

Incentive awards for the other executive officers in 2011 were based 75% on corporate performance and 25% on individual performance. As discussed previously, 75% of the corporate objectives were achieved in 2011 and the corporate portion of the incentive award was capped at that percentage. However, the incentive awards made to the other executive officers also recognized the following individual achievements:

David McDonald, Chief Financial Officer / Executive Vice President, Business Development

Developed a proactive investor relations program in an effort to increase institutional investor ownership;

Developed relationships with potential strategic partners to discuss clinical development, distribution and licensing opportunities for Delcath's chemosaturation technology; and

Provided significant financial, technical and service resources to set up a secure media processing facility.

Graham Miao, Chief Financial Officer

Improved financial and accounting capabilities within the organization and initiated a plan to identify and implement a new financial reporting, forecasting and budgeting system for 2012; and

Developed a robust 2012 budget to support Delcath's transition to a commercial enterprise and long-range financial projections for strategic planning purposes.

Krishna Kandarpa, Executive Vice President, Research and Development and Chief Medical Officer

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Developed and implemented a plan to build 1st and 2nd Generation melphalan products for release and distribution in European markets;

Made advancements towards increasing Delcath's intellectual property; and

Ensured the Medical Research and Development department provided essential clinical development and medical affairs functions that support Delcath's initiatives towards a European launch.

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Agustin Gago, Executive Vice President, Global Sales and Marketing

Established a European subsidiary in Ireland providing marketing, sales, distribution and logistical support to the European business and commercial operations;

Developed a European commercialization plan and established key resources to support a full commercial launch in 2012;

Successfully entered into agreements to establish two Initial Launch and Training Centers in Europe; and

Identified, selected and retained a 3rd party specialist vendor to establish a program that develops pricing, reimbursement, and health economics for the European markets.

Peter Graham, Executive Vice President, General Counsel, Global Human Resources

Created and implemented a European compliance program;

Established a European subsidiary and worked successfully with sales and marketing, operations, regulatory and finance to analyze, develop and implement a strategy to support the commercialization efforts in the European markets; and

Developed and implemented new HR tools to attract and retain employees, including a formal Total Rewards Program.

The following table summarizes the actual 2011 incentive awards paid to each of the NEOs based upon overall performance achievements.

| Position | Executive | Target Incentive Bonus Opportunity | | 2011 Incentive Award Earned | |
|--|-----------|------------------------------------|--------------|-----------------------------|--------------------------|
| | | % of Base Salary | Dollars (\$) | % of Base Salary | Dollars (\$) |
| President & CEO | Hobbs | 50.0% | \$ 234,000 | 37.5% | \$ 176,000 |
| Chief Financial Officer/Executive Vice President, Business Development | McDonald | 40.0% | \$ 133,250 | 29.3% | \$ 97,646 |
| Chief Financial Officer | Miao | 40.0% | \$ 130,000 | 8.3% ⁽¹⁾ | \$ 27,044 ⁽¹⁾ |
| Executive Vice President, Global Sales and Marketing | Gago | 40.0% | \$ 116,850 | 29.8% | \$ 87,007 |
| Executive Vice President, General Counsel and Global Human Resources | Graham | 40.0% | \$ 125,240 | 30.8% | \$ 96,472 |
| Executive Vice President, Research and Development and Chief Medical Officer | Kandarpa | 40.0% | \$ 154,650 | 31.0% | \$ 119,699 |

(1) Mr. Miao received a pro-rated incentive award based upon a hire date of 9/26/11.

Special Bonus for 2012. For 2011, participants in Delcath's annual incentive plan received a reduced payout of the annual cash incentive in part because the NDA that the Company was preparing has not been submitted and therefore did not meet the Domestic Regulatory performance objective of NDA acceptance by the FDA by March 1, 2012. Although this goal was not successfully achieved, the Compensation Committee understood that an enormous effort was undertaken by the Company and its employees (including the executives) across the Company towards

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getting the NDA resubmitted. Given the enormous shareholder value to be created with the success of the resubmission, the Board of Directors felt it was essential to reinforce such a significant effort by providing all employees (including the executives) the opportunity to earn a special incentive in 2012. Therefore, the Compensation Committee approved that if Delcath successfully refiles the NDA resubmission by the end of the second quarter of 2012 and, most importantly, obtains the FDA's acceptance of the filing by the end of the

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third quarter of 2012, participants hired by October 1, 2011 will be eligible to receive this special bonus during the fourth quarter of 2012. The Compensation Committee established that if the filing is not accepted by the FDA, no special bonus would be paid. This bonus will be separate from the 2012 annual incentive plan and will be paid pending approval by the Board of Directors, subject to any modifications to be made at the discretion of the Board of Directors.

Long Term Incentive Plan. In 2010, the Compensation Committee worked with PM&P to develop a formal long-term incentive grant strategy, and in the fourth quarter of 2010, the Compensation Committee adopted the Long Term Incentive Plan, or LTIP. The LTIP is administered by the Compensation Committee; the Compensation Committee intends to grant awards under the LTIP in the first quarter of each year. The current strategy under the LTIP is to align the number of shares awarded subject to long-term equity incentive grants, with the number of shares needed to deliver a competitive value targeted at the 50th percentile of the executive compensation comparison group. Current long-term incentive market data for our executives was collected as part of compensation competitive assessments completed in December 2010 (used to determine 2011 awards) and December 2011 (used to determine 2012 awards). Using market composite data, PM&P assisted the Company in developing long-term equity incentive guidelines that focus on providing our executive officers with a mix of long-term equity incentive award opportunities (75% time-vested stock options and 25% time-vested restricted stock) targeted at the 50th percentile of the executive compensation comparison group. The Compensation Committee feels this mix of equity is appropriate given the heavier weighting on stock options which it considers to be performance-based given that the options will not have any value until stock price growth is achieved. These guidelines were updated based on the current compensation comparison group levels, and the Compensation Committee uses these guidelines to determine long-term equity incentive awards for our named executive officers based upon a holistic assessment of Company and individual performance for the prior year.

The table below summarizes our 2011 and 2012 long-term equity awards to our named executive officers:

| Position | Executive | Stock Option Awards | 2011 Restricted Stock Awards | Total Award Value ⁽¹⁾ | Stock Option Awards | 2012 Restricted Stock Awards | Total Award Value ⁽²⁾ |
|---|-----------|---------------------------|---------------------------------------|--|---------------------------|---------------------------------------|--|
| Chief Executive Officer | Hobbs | 125,000 | 25,000 | \$ 692,040 | 135,000 | 30,000 | \$ 540,611 |
| Chief Financial Officer/Executive Vice President, Business Development | McDonald | 30,000 | 6,500 | \$ 169,300 | 40,000 | 9,000 | \$ 165,932 |
| Chief Financial Officer | Miao | NA | NA | NA | 40,000 | 9,000 | \$ 165,932 |
| Executive Vice President, Global Sales and Marketing | Gago | 28,000 | 6,000 | \$ 157,585 | 40,000 | 9,000 | \$ 165,932 |
| Executive Vice President, General Counsel and Global Human Resources | Graham | 28,000 | 6,000 | \$ 157,585 | 40,000 | 9,000 | \$ 165,932 |
| Executive Vice President, Research and Development and Chief Medical Officer | Kandarpa | (3) | (3) | \$ | 40,000 | 9,000 | \$ 165,932 |

- (1) Reflects the ASC Topic 718 Black-Scholes value of stock options plus the fair market value of restricted stock based upon grant/exercise price of \$6.42.
- (2) Reflects the ASC Topic 718 Black-Scholes value of stock options plus the fair market value of restricted stock based upon grant/exercise price of \$4.45 for the Chief Executive Officer and \$4.60 for all other NEOs, as determined based on their respective grant dates.
- (3) Dr. Kandarpa was granted a stock option award of 50,000 shares on December 15, 2010 pursuant to his then existing employment contract. Accordingly, Dr. Kandarpa did not receive an annual stock option award in 2011, but received stock option awards pursuant to standard grant practices in 2012 and on an ongoing basis.

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2011 Executive Compensation Mix as Earned

Employment Agreements. We have entered into employment agreements or offer letters with the Chief Executive Officer, the Chief Financial Officer, the Executive Vice President, Global Sales and the Executive Vice President, General Counsel and Global Human Resources. A summary of certain material terms of those agreements is set forth below under Discussion of Summary Compensation Table and Grants of Plan-Based Awards Table.

Additional Benefits; 401(k) Plan. All salaried employees participate in a variety of retirement, health and welfare, and paid time-off benefits designed to enable the Company to attract and retain a talented workforce in a competitive marketplace. These benefits and related plans help ensure that the Company has a productive and focused workforce. The Company utilizes a 401(k) savings plan to enable employees to plan and save for retirement. The Company does not provide matching contributions.

Other Compensation. As a development stage company, the Company does not have pension or deferred compensation plans or arrangements.

Change of Control Provisions. The restricted stock awards and stock options granted to our named executive officers are subject to immediate vesting in the event of a Change of Control, as defined in the 2009 Plan and/or Delcath's 2004 Stock Incentive Plan. There are no other change of control agreements or arrangements currently in effect for the named executive officers.

Internal Revenue Code Section 162(m) Considerations. Section 162(m) of the Internal Revenue Code generally denies publicly-held corporations a federal income tax deduction for compensation exceeding \$1,000,000 paid to the Chief Executive Officer and each of the four other highest paid executive officers, excluding performance-based compensation. It is the Company's intention that any stock options and restricted stock granted under the 2009 Plan will qualify as performance-based awards under Section 162(m).

Compensation and Stock Option Committee Report

The Compensation and Stock Option Committee of the Board of Directors has reviewed and discussed the foregoing Compensation Discussion and Analysis section of this Proxy Statement with management. Based on this review and these discussions, the Compensation and Stock Option Committee recommended to the Board of Directors that the section entitled Compensation Discussion and Analysis be included in this Proxy Statement and incorporated by reference into Delcath's Annual Report on Form 10-K for the fiscal year ended December 31, 2011.

Submitted by the Compensation and Stock Option Committee of the Board of Directors,

Roger G. Stoll, Chair

Robert B. Ladd

Gabriel Leung

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Summary Compensation Table. The following table sets forth the total compensation awarded to, earned by or paid to: (i) our chief executive officer, (ii) our chief financial officer, and (iii) our three other most highly-compensated executive officers who were serving as executive officers on December 31, 2011 and whose total compensation exceeded \$100,000. We refer to these individuals as our named executive officers.

| Name and Principal Position | Year | Salary (\$) | Bonus (\$) | Stock Awards (\$) ⁽¹⁾ | Option Awards (\$) ⁽¹⁾ | Non-Equity Incentive Plan Compensation (\$) | All Other Compensation (\$) | Total (\$) |
|--|------|----------------|---------------|--|---|---|-----------------------------------|---------------|
| Eamonn P. Hobbs | 2011 | 468,000 | | 160,500 | 531,540 | 176,000 | | 1,336,040 |
| President, Chief Executive Officer and Director ⁽²⁾ | 2010 | 435,417 | | | 177,767 | 102,650 ⁽³⁾ | | 715,834 |
| | 2009 | 207,670 | 100,000 | | 1,823,079 | | 194,000 | 2,324,749 |
| David A. McDonald | 2011 | 333,125 | | 41,730 | 127,570 | 97,646 | 66,625 | 666,696 |
| Executive Vice President, Business Development ⁽⁴⁾ | 2010 | 325,000 | | | | 67,470 | | 392,470 |
| | 2009 | 97,254 | 30,000 | 196,000 | 645,175 | | 125,000 | 1,093,429 |
| Graham G. Miao | 2011 | 85,702 | 100,000 | 92,250 | 242,038 | 27,044 | 14,883 | 561,917 |
| Chief Financial Officer ⁽⁵⁾ | | | | | | | | |
| Agustin V. Gago | 2011 | 292,125 | | 38,520 | 119,065 | 87,007 | | 536,717 |
| Executive Vice President, Global Sales and Marketing ⁽⁶⁾ | 2010 | 285,000 | | | | 39,900 | | 324,900 |
| | 2009 | 47,500 | 17,000 | 321,750 | 563,892 | | 45,000 | 995,142 |
| Peter J. Graham | 2011 | 313,000 | | 38,520 | 119,065 | 96,472 | | 567,157 |
| Executive Vice President, General Counsel and Global Human Resources ⁽⁷⁾ | 2010 | 189,205 | | | 383,848 | 64,800 | | 637,853 |
| Krishna Kandarpa, M.D., Ph.D. | 2011 | 386,625 | | | | 119,699 | | 506,324 |
| Executive Vice President, Research and Development, and Chief Medical Officer ⁽⁸⁾ | 2010 | 375,000 | | | 342,292 | 53,550 | | 770,842 |
| | 2009 | 75,284 | 23,500 | 1,218,000 | 400,630 | | 199,910 | 1,917,324 |

(1) The amounts included in the Stock Awards column and the Option Awards column represent the aggregate grant date fair value of restricted stock awards and the aggregate grant date fair value of options granted to our named executive officers, calculated in accordance FASB ASC Topic 718, excluding the impact of forfeitures. We caution that the amounts reported for these awards may not represent the amounts that the named executive officers will actually realize from the awards. Whether, and to what extent, a named executive officer realizes value will depend on Delcath's stock price and the named executive officer's continued employment. The methodology and assumptions used to calculate the grant date fair value are described in Note 3, Stockholders' Equity of our Form 10-K.

(2) Mr. Hobbs' base salary for 2010 was \$425,000, from January 1, 2010 to July 2010, and \$450,000 from August 2010 to December 31, 2010. Mr. Hobbs' service as President and CEO began on July 6, 2009. The amount included in the All Other Compensation column reflects a bonus paid to Mr. Hobbs to cover relocation expenses, a gross-up to cover tax expenses, and fees paid to Mr. Hobbs in his capacity as a non-employee director of the Company from January 1, 2009 through July 6, 2009.

(3) In an effort to align the timing of our Chief Executive Officer's annual performance review with those of our other named executive officers, the Compensation Committee evaluated and awarded our Chief Executive Officer an interim incentive cash bonus for his performance

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during the first 6-months of 2010 \$27,500; thereafter, new performance objectives were set for the balance of 2010, of which he achieved 84% of target, however, his actual bonus paid for the second-half of 2010 was \$75,150 (bonus earned (\$93,938), reduced by 20%). As a result, the total incentive cash bonus paid to Mr. Hobbs for his 2010 performance was \$102,650.

- (4) Mr. McDonald's employment began on September 14, 2009. The amount included in the "All Other Compensation" column reflects a bonus paid to Mr. McDonald to cover relocation expenses for 2009 and compensation related to his expatriate assignment for 2011.
- (5) Mr. Miao's employment began on September 26, 2011. The amount included in the "All Other Compensation" column reflects payments for Mr. Miao's temporary housing assistance and related taxes.
- (6) Mr. Gago's employment began on November 2, 2009. The amount included in the "All Other Compensation" column reflects a bonus paid to Mr. Gago to cover relocation expenses.
- (7) Mr. Graham's employment began on April 20, 2010.
- (8) Dr. Kandarpa's employment began on October 20, 2009. The amount included in the "All Other Compensation" column reflects a bonus paid to Dr. Kandarpa to cover relocation expenses and a gross-up to cover tax expenses.

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Grants of Plan-Based Awards Table 2011. The following table sets forth grants of plan-based awards made during the fiscal year ended December 31, 2011 to the named executive officers. All equity grants were made pursuant to the 2009 Plan.

| Name | Grant Date (equity awards) | Estimated Possible Payouts Under Non-Equity Incentive Plan Awards Target (\$) ⁽¹⁾ | Number of Shares (#) | All Other Option Awards: Number of Securities Underlying Options (#) | Exercise or Base Price of Option Awards (\$/Sh) | Grant Date Fair Value of Stock and Option Awards |
|----------------------------------|----------------------------------|--|-------------------------|--|---|---|
| Eamonn P. Hobbs ⁽²⁾ | 3/10/2011 | \$ 234,000 | 25,000 | 125,000 | \$ 6.42 | \$ 692,040 |
| David A. McDonald ⁽²⁾ | 3/10/2011 | \$ 133,250 | 6,500 | 30,000 | \$ 6.42 | \$ 169,300 |
| Graham G. Miao ⁽³⁾ | 9/26/2011 | \$ 130,000 | 25,000 | 100,000 | \$ 3.69 | \$ 334,288 |
| Agustin V. Gago ⁽²⁾ | 3/10/2011 | \$ 116,850 | 6,000 | 28,000 | \$ 6.42 | \$ 157,585 |
| Peter J. Graham ⁽²⁾ | 3/10/2011 | \$ 125,240 | 6,000 | 28,000 | \$ 6.42 | \$ 157,585 |
| Krishna Kandarpa ⁽⁴⁾ | | \$ 154,650 | | | | |

- (1) Each named executive officer is eligible to receive an incentive award pursuant to the Annual Incentive Plan adopted by the Compensation Committee on December 15, 2010, subject to the satisfaction of performance objectives (which may include corporate, business unit or division, financial, strategic, individual or other objectives) reasonably established by the Compensation Committee at a specified target level based on a percentage of the executive's base salary (Hobbs 50%, McDonald 40%, Miao 40%, Gago 40%, Graham 40% and Kandarpa 40%). Determination of whether performance objectives are met and whether bonuses should be paid, and, if so, the amount, is made by the Compensation Committee.
- (2) The options were granted under the 2009 Plan pursuant to a stock option grant letter. The options vest ratably over three years and expire March 10, 2021.
- (3) The options were granted under the 2009 Plan pursuant to a stock option grant letter. The options vest ratably over three years and expire September 26, 2021.
- (4) Dr. Kandarpa was granted a stock option award of 50,000 shares on December 15, 2010 pursuant to his then existing employment contract. Accordingly, Dr. Kandarpa did not receive an annual stock option award in 2011, but received stock option awards pursuant to standard grant practices in 2012 and on an ongoing basis.

Table of Contents**Discussion of Summary Compensation Table and Grants of Plan-Based Awards Table.**

Our executive compensation policies and practices, pursuant to which the compensation set forth in the Summary Compensation Table and the Grants of Plan Based Awards Table was awarded, earned or paid to our named executive officers are described above under Executive Compensation Compensation Discussion and Analysis. A summary of certain material terms of our employment agreements and equity compensation arrangements with our named executive officers is set forth below, including potential payments, acceleration of equity awards and continuation of benefits in the event of early termination under Potential Payments upon Termination or Change of Control.

Potential Payments upon Termination or Change of Control. The following table shows the potential incremental value transfer to each named executive officer under various termination or change-in-control scenarios as of December 31, 2011, the last business day of 2011. Unvested, unexercised stock options and unvested restricted stock awards are valued at the closing market price of Delcath's common stock on that date. The actual amounts to be paid out can only be determined at the time of such named executive officer's actual separation from Delcath.

| Event | Named Executive Officer ⁽¹⁾ | | | | | |
|---|--|-------------------|----------------|-----------------|-----------------|------------------|
| | Eamonn P. Hobbs | David A. McDonald | Graham G. Miao | Agustin V. Gago | Peter J. Graham | Krishna Kandarpa |
| Retirement or Voluntary Termination Without Good Reason ⁽²⁾ | \$ 195,233 | \$ 111,336 | \$ 4,452 | \$ 94,210 | \$ 112,770 | \$ 6,355 |
| Termination for Cause | \$ 19,233 | \$ 111,336 | \$ 4,452 | \$ 7,203 | \$ 16,298 | \$ 6,355 |
| Involuntary Termination (Termination Without Cause or Change of Control) ⁽³⁾ | \$ 1,161,965 | \$ 111,336 | \$ 376,984 | \$ 386,335 | \$ 425,870 | \$ 6,355 |
| Death or Disability Termination ⁽⁴⁾ | \$ 985,965 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |

- (1) The exercise price of all unvested options held by named executive officers as of December 31, 2011 was greater than Delcath's stock price as of December 31, 2011. Accordingly, accelerated vesting of any equity-based awards is not included in this table.
- (2) Includes vacation days accrued during 2011. In addition, includes incentive award earned in 2011 for Mr. Hobbs, Mr. McDonald, Mr. Miao, Mr. Gago and Mr. Graham.
- (3) Includes vacation days accrued during 2011. In addition, includes incentive award earned in 2011, 24-month base salary and 18-month COBRA subsidy for Mr. Hobbs; incentive award earned in 2011 for Mr. McDonald; incentive award earned in 2011, 12-month base salary and 12-month COBRA subsidy for Mr. Miao; and incentive award earned in 2011 and 12-month base salary for Mr. Gago and Mr. Graham.
- (4) Includes vacation days accrued during 2011, 12-month base salary and 18-month COBRA subsidy. All post-termination payments are linked to confidentiality, non-solicitation, non-competition, non-disparagement and, as to Mr. Graham, non-disruption, obligations contained in the named executive officer's employment agreements. The events that constitute cause, Good Reason, disability and Change of Control are described in the employment agreement with each named executive officer. Accelerated vesting of stock options and restricted stock awards assumes the awards are not converted into comparable awards with respect to voting securities of the surviving or acquiring entity in accordance with the terms of Delcath's 2004 Stock Incentive Plan and/or the 2009 Plan, as applicable.

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Outstanding Equity Awards at Fiscal Year-End Table 2011. The following table sets forth information relating to unexercised options held by the named executive officers as of December 31, 2011.

| Name | Option Awards | | | | Stock Awards | |
|-------------------|---|---|----------------------------|------------------------|--|---|
| | Number of Securities Underlying Unexercised Options (#) Exercisable | Number of Securities Underlying Unexercised Options (#) Unexercisable | Option Exercise Price (\$) | Option Expiration Date | Number of Shares of Stock That Have Not Vested (#) | Market Value of Shares of Stock That Have Not Vested (\$) |
| Eamonn P. Hobbs | 50,000 | | \$ 1.23 | 10/14/2013 | | |
| | 100,000 | | \$ 1.85 | 10/14/2013 | | |
| | 750,000 | 50,000 | \$ 3.36 | 7/6/2019 | | |
| | 33,334 | 16,666 | \$ 5.28 | 1/4/2020 | | |
| | | 125,000 | \$ 6.42 | 3/10/2021 | 25,000 | \$ 245,000 |
| David A. McDonald | 250,000 | | \$ 3.92 | 9/14/2019 | | |
| | | 30,000 | \$ 6.42 | 3/10/2021 | 6,500 | \$ 63,700 |
| Graham G. Miao | | 100,000 | \$ 3.69 | 9/26/2021 | 25,000 | \$ 245,000 |
| Agustin V. Gago | 200,000 | | \$ 4.29 | 11/2/2019 | | |
| | | 28,000 | \$ 6.42 | 3/10/2021 | 6,000 | \$ 58,800 |
| Peter J. Graham | 18,333 | 36,667 | \$ 10.60 | 4/20/2020 | | |
| | | 28,000 | \$ 6.42 | 3/10/2021 | 6,000 | \$ 58,800 |
| Krishna Kandarpa | 100,000 | | \$ 6.09 | 10/20/2019 | | |
| | 25,000 | 25,000 | \$ 10.46 | 12/15/2020 | | |

Options Exercises and Stock Vested Table 2011. The following table sets forth information relating to the exercise of options by, and the vesting of restricted stock awards granted to, the named executive officers, during the fiscal year ended December 31, 2011.

| Name | Option Awards | | Stock Awards | |
|-------------------|---|---------------------------------|--|--------------------------------|
| | Number of Shares Acquired on Exercise (#) | Value Realized on Exercise (\$) | Number of Shares Acquired on Vesting (#) | Value Realized on Vesting (\$) |
| Eamonn P. Hobbs | | | | |
| David A. McDonald | | | | |
| Graham G. Miao | | | | |
| Agustin V. Gago | | | 25,000 | 168,500 |
| Peter J. Graham | | | | |
| Krishna Kandarpa | | | | |

Employment Agreements and Confidentiality Agreements

Eamonn P. Hobbs. On August 10, 2011, we entered into a new employment agreement with Mr. Hobbs, which provides for his continued employment as our Chief Executive Officer through August 10, 2014. Mr. Hobbs' current base salary is \$485,000 per year. The rate of salary is subject to modification by the Compensation Committee at any time, but may be decreased only if, simultaneously with, or within a ninety (90) day period prior to, the date the Compensation Committee determines to decrease the salary either: (1) a majority of the other executive officers at the Company have also undergone a decrease in salary (or have resigned or been terminated); or (2) at least twenty percent (20%) of the employees of the Company have been terminated or have otherwise left the employment of the Company. He is eligible to receive an incentive bonus, to be determined by the Compensation Committee pursuant to the Annual Incentive Plan adopted by the

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Compensation Committee on December 15, 2010, as such plan may be amended from time to time (the Annual Incentive Plan or AIP). Mr. Hobbs' current target incentive under the AIP is equal to 50% of his annual base salary. Mr. Hobbs is also entitled to receive stock option grants and/or grants of restricted stock, as may be determined by the Compensation Committee pursuant to the Long Term Incentive Plan adopted by the Compensation Committee on December 15, 2010, as such plan may be amended from time to time (the Long Term Incentive Plan).

During the period of employment pursuant to the agreement, in the event of Mr. Hobbs' death, our termination of his employment without cause, our termination of his employment upon the Board of Director's good faith determination that he is disabled (defined as his inability to perform essential functions of his employment for more than 90 days in any 180-day period on account of mental or physical impairment, unless a longer period is required by federal or state law) or termination by Mr. Hobbs for good reason (referred to in the employment agreement as Involuntary Termination), he is entitled to receive, subject to tax withholding and other authorized deductions, his accrued, but unpaid base salary as of the date Mr. Hobbs' employment is terminated, plus reimbursement of any unpaid reimbursable business expenses, plus his base salary for twenty four (24) months (the severance period). Mr. Hobbs will also be entitled to payment of any performance bonus for the bonus year in which termination occurred to the extent performance goals have been met; any bonus would be pro-rated for the portion of the bonus year during which he was employed (a stub bonus). The severance benefit will be payable in substantially equal installments in accordance with our standard payroll practices over a period of 24 months. As a condition precedent to our obligation to pay severance benefits or the stub bonus, or to the accelerated vesting of any equity-based awards in the event of an Involuntary Termination or a change of control, Mr. Hobbs is obligated to execute a general release in favor of the Company, and is restricted from competing with us during the greater of 12 months or the severance period.

Mr. Hobbs has agreed to preserve the confidentiality of all Delcath confidential information and to non-disparagement restrictions. Mr. Hobbs has also agreed to non-solicitation restrictions for a period of the greater of twelve months or the severance period. If Mr. Hobbs breaches his obligations as to confidentiality, non-solicitation, non-disparagement or his covenant not to compete, we will not be obligated to pay any remaining unpaid portion of his severance benefits, other than \$5,000 which will be paid to Mr. Hobbs in consideration of, and assuming receipt of, the contemplated general release.

Mr. Hobbs has the right to terminate his employment at his sole discretion, upon not less than 90 days written notice, in which case he will be entitled to receive his accrued, but unpaid base salary as of the termination date of his employment, plus reimbursement of any unpaid reimbursable business expenses. Mr. Hobbs has the right to terminate his employment immediately for good reason (subject to our 30 day right to cure the condition); in which case, Mr. Hobbs will be entitled to the severance benefits set forth above. In the event of Mr. Hobbs' death, or our termination of his employment for cause or upon the Board of Director's good faith determination that he is disabled (defined as his inability to perform essential functions of his employment for more than 90 days in any 180-day period on account of mental or physical impairment, unless a longer period is required by federal or state law), he will be entitled to receive his accrued, but unpaid base salary as of the termination date of his employment, plus reimbursement of any unpaid reimbursable business expenses.