

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): December 21, 2006

DELCATH SYSTEMS, INC.

(Exact name of registrant as specified in its charter)

Delaware 001-16133 06-1245881  
(State or other jurisdiction of (Commission File Number) (IRS Employer  
incorporation) Identification No.)

1100 Summer Street, Stamford, Connecticut 06905  
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (203) 323-8668

N/A

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2 below):

Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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Section 1 - Registrant's Business and Operations

Item 1.01 Entry into a Material Definitive Agreement

On December 21, 2006, Delcath Systems, Inc. (the "Company") entered into a Settlement Agreement dated as of December 15, 2006 (the "Settlement Agreement") in connection with Mr. Koly's resignation as President and Chief Executive Officer and Treasurer of the Company. The Settlement Agreement provides for the termination of Mr. Koly's Employment Agreement and the relinquishment by Mr. Koly of any rights he might have under change of control arrangements with the Company. The Settlement Agreement also provides for Mr. Koly to receive his regular salary through December 31, 2006 and a lump sum payment to Mr. Koly of \$650,000 and the continuation of his current health insurance benefits through September 30, 2008. The Settlement Agreement is filed as Exhibit 10.1 hereto and is incorporated herein by reference.

Item 1.02 Termination of a Material Definitive Agreement

Upon the execution of the Settlement Agreement, the Employment Agreement between the Company and Mr. Koly was terminated. Each of Mr. Koly, Dr. Herschkowitz, Mr. Corigliano and Mr. Isdner has also relinquished any rights he might have under the Company's Change of Control Arrangement for Directors or as

a beneficiary under the related Trust Agreement. The funds previously held in trust under the Trust Agreement have been returned to the Company's general funds.

Section 9 - Financial Statements and Exhibits.

Item 9.01. Financial Statements and Exhibits.

(a) Not applicable.

(b) Not applicable.

(c) Not applicable.

(d) Exhibits:

Exhibit	Description
10.1	Settlement Agreement dated as of December 15, 2006 between Delcath Systems, Inc. and M. S. Koly

## SIGNATURES

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

DELCATH SYSTEMS, INC.

By: /s/ RICHARD TANEY

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Richard Taney  
Interim Chief Executive Officer

Date: December 21, 2006

EXHIBIT INDEX

Exhibit	Description
10.1	Settlement Agreement dated as of December 15, 2006 between Delcath Systems, Inc. and M. S. Koly

SETTLEMENT AGREEMENT

This Agreement (this "Agreement") dated as of December 15, 2006 is entered into between DELCATH SYSTEMS, INC., a Delaware corporation having its principal place of business in Stamford, Connecticut (the "Company"), and M. S. Koly, an individual residing in Darien, Connecticut ("Mr. Koly").

WHEREAS the Company and Mr. Koly are parties to an Employment Agreement dated as of April 10, 1996, as amended (as so amended, the "Employment Agreement"), pursuant to which Mr. Koly has acted as President and Chief Executive Officer of the Company; and

WHEREAS, the Company has adopted the Delcath Systems, Inc. Change in Control Arrangement for Directors effective April 29, 2004 (the "Change in Control Arrangement"), which provides, among other things, that Mr. Koly will receive a lump sum payment from the Company upon the occurrence of certain events; and

WHEREAS, Mr. Koly is a beneficiary of the Trust Agreement under the Delcath Systems, Inc. Executive Employment Agreement and Directors Change in Control Arrangement made as of October 27, 2005 (the "Trust"); and

WHEREAS, the Board of Directors has determined that it is in the best interests of the Company and its stockholders that Mr. Koly no longer serve as President and Chief Executive Officer and Treasurer of the Company; and

WHEREAS, the Company and Mr. Koly have agreed to resolve any claims that Mr. Koly may have under the Employment Agreement or the Change in Control Arrangement;

NOW, THEREFORE, the Company and Mr. Koly hereby agree as follows:

1. Mr. Koly hereby resigns as President and Chief Executive Officer and Treasurer of the Company and from any other office held by him in the Company effective as of the date hereof.

2. Mr. Koly will be paid his regular salary through December 31, 2006 and a lump sum amount equal to \$650,000, such lump sum amount to be paid to Mr. Koly on January 2, 2007 and, pending such payment, to be held in escrow by Murtha Cullina LLP. Mr. Koly acknowledges that it is his current intention to use a portion of such payment to exercise options to purchase Common Stock of the Company held by him.

3. For the period from the date hereof through September 30, 2008, the Company will continue to provide health insurance coverage to Mr. Koly comparable to that currently provided to him by the Company.

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4. The Company and Mr. Koly hereby agree to the termination of the Employment Agreement.

5. Mr. Koly hereby relinquishes any rights that he might have under the Change in Control Arrangement or as a beneficiary of the Trust.

6. The Company hereby confirms to Mr. Koly that all outstanding options to purchase shares of the Company's Common Stock held by him are currently exercisable.

7. Mr. Koly hereby agrees that, for a period of 60 days from the date hereof, he will consult with the Company's Interim Chief Executive Officer upon the reasonable request of the Interim Chief Executive Officer, and the Company hereby agrees to reimburse Mr. Koly for any reasonable out of pocket expenses incurred by Mr. Koly in connection with his consultation with the Interim Chief Executive Officer.

[SIGNATURE PAGE FOLLOWS]

WITNESS, the signatures of the undersigned as of this 15th day of December 2006.

DELCATH SYSTEMS, INC.

By: /s/ RICHARD TANEY

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Richard Taney  
Interim Chief Executive  
Officer

/s/ M. S. KOLY

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M. S. Koly