

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

AMENDMENT NO. 1
FORM 10-KSB/A

Annual report under Section 13 or 15(d) of the Securities Exchange Act of 1934

For the fiscal year ended December 31, 2001

Transition report under Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from _____ to _____

Commission file number: 001-16133

DELCATH SYSTEMS, INC.

(Exact name of Small Business Issuer as specified in its charter)

DELAWARE

(State or other jurisdiction of incorporation or organization)

06-1245881

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

1100 SUMMER STREET, STAMFORD, CONNECTICUT

(Address of principal executive offices)

06905

(Zip Code)

203-323-8668

(Issuer's telephone number, including area code)

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

Title of Each Class -----	Name of Each Exchange On Which Registered -----
Common Stock, par value \$.01 per share	Boston Stock Exchange
Redeemable Warrants	Boston Stock Exchange

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

Common Stock, par value \$0.01 per share
Redeemable Warrants

Check whether the Issuer: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B in this form, and no disclosure will be contained, to the best of the Issuer's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB/A or any amendment to this form.

The issuer's revenues for its most recent fiscal year were: \$0.

The aggregate market value of the voting common stock held by non-affiliates of the issuer, based on the closing sales price of \$1.39 per share, was \$ 3,331,435 as of February 21, 2002.

At February 21, 2002, the registrant had outstanding 3,903,816 shares of par value \$0.01 Common Stock.

EXPLANATORY NOTE

This Amendment No. 1 to the Annual Report on Form 10-KSB of Delcath Systems, Inc. (the "Company") for the year ended December 31, 2001 (the "Annual Report") is being filed:

1. To revise the information contained in Item 6 of the Annual Report to

revise the Company's Plan of Operation to provide additional information pursuant to Item 303(a) of Regulation S-B.

2. To revise information contained in Item 11 of the Annual Report to include beneficial shareholdings reported in Forms 3/A for Messrs. Corigliano, Isdaner and Nevins.
3. To revise information contained in Item 13 (a) of the Annual Report to indicate that Exhibit 10.12, 2001 Stock Option Plan has been filed herewith.

ITEM 6. PLAN OF OPERATION.

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

During 2001, Delcath initiated the clinical trial of the system for isolated liver perfusion using the chemotherapeutic agent, melphalan. The Phase I trial at the National Cancer Institute marks an expansion in the potential labeled usage beyond doxorubicin, the chemotherapeutic agent used in our initial clinical trials. The patent protection for the Delcath technology was also expanded in 2001, with the issuance of a U. S. patent for the system for isolated kidney perfusion. Similar applications are pending in several foreign countries.

Our management continued to speak to potential investors and investment analysts at a series of meetings in several major U. S. cities. In particular we were invited to make a presentation at the New York Society of Security Analysts' annual Health Care Conference in March 2001. This meeting led to further discussions with several investment professionals and an article in the Gray Sheet, a medical publication focused on healthcare and FDA issues.

The contracted manufacture and assembly of the commercial grade Delcath system kit was completed in 2001, with the first human use kits shipped to NCI for use in the clinical trials. We continue efforts to qualify additional sources of the key components of our device, in an effort to further reduce manufacturing costs and minimize dependency on a single source of supply.

Over the next 12 months, we expect to continue to incur substantial expenses related to the research and development of our technology, including Phase III clinical trials using doxorubicin with the Delcath system and Phase I clinical trials using melphalan with the Delcath system. Additional funds, when available, will be committed to pre-clinical and clinical trials for the use of other chemotherapy agents with the Delcath system for the treatment of liver cancer, and the development of additional products and components.

In January 2002, we announced that the New York University School of Medicine plans to proceed with the FDA approved Phase III study using the Delcath system. This trial is pending budget approval by NYU and approval by NYU's Institutional Review Board. If this trial receives the required approvals and proceeds to accrue patients, this study will involve a portion of the total of the 122 patients that are required by the FDA to participate in the Phase III trials at several institutions. We cannot estimate the starting date or duration of the trial.

LIQUIDITY AND CAPITAL RESOURCES

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

Our future liquidity and capital requirements will depend on numerous factors, including the progress of our research and product development programs, including clinical studies; the timing and costs of making various United States and foreign regulatory filings, obtaining approvals and complying with regulations; the timing and effectiveness of product commercialization activities, including marketing arrangements overseas; the timing and costs involved in

preparing, filing, prosecuting, defending and enforcing intellectual property rights; and the effect of competing technological and market developments.

The Company's future results are subject to substantial risks and uncertainties. The Company expects to require additional working capital in the future and there can be no assurance that such working capital will be available on acceptable terms, if at all.

FUTURE CAPITAL NEEDS; ADDITIONAL FUTURE FUNDING

The Company's future results are subject to substantial risks and uncertainties. The Company has operated at a loss for its entire history and there can be no assurance of it ever achieving consistent profitability. The Company had working capital at December 31, 2001 of \$3,189,943. The Company may still require additional working capital in the future and there can be no assurance that such working capital will be available on acceptable terms, if at all. In addition, the Company may need additional capital in the future to fully implement its business strategy as set forth herein.

FORWARD LOOKING STATEMENTS

Certain statements in this Form 10-KSB/A, including statements of our and management's expectations, intentions, plans, objectives and beliefs, including those contained in or implied by "Management's Discussion and Analysis or Plan of Operation", are "forward-looking statements", within the meaning of Section 21E of the Securities Exchange Act of 1934, that are subject to certain events, risks and uncertainties that may be outside our control. These forward-looking statements may be identified by the use of words such as "expects," "anticipates," "intends," "plans" and similar expressions. They include statements of our future plans and objectives for our future operations and statements of future economic performance, information regarding our expansion and possible results from expansion, our expected growth, our capital budget and future capital requirements, the availability of funds and our ability to meet future capital needs, the realization of our deferred tax assets, and the assumptions described in this report underlying such forward-looking statements. Actual results and developments could differ materially from those expressed in or implied by such statements due to a number of factors, including without limitation, those described in the context of such forward-looking statements, our expansion and acquisition strategy, our ability to achieve operating efficiencies, our dependence on network infrastructure, capacity, telecommunications carriers and other suppliers, industry pricing and technology trends, evolving industry standards, domestic and international regulatory matters, general economic and business conditions, the strength and financial resources of our competitors, our ability to find and retain skilled personnel, the political and economic climate in which we conduct operations, the risks discussed in Item 1 above under "Description of Business" and other risk factors described from time to time in our other documents and reports filed with the Securities and Exchange Commission (the "Commission"). We do not assume any responsibility to publicly update any of our forward-looking statements regardless of whether factors change as a result of new information, future events or for any other reason. We advise you to review any additional disclosures we make in our Form 10-QSB, Form 8-K and Form 10-KSB reports filed with the Commission.

ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

The following table sets forth certain information known to the Company regarding the beneficial ownership of the Company's Common Stock as of February 21, 2002, for (i) each stockholder known by the Company to own beneficially 5% or more of the outstanding shares of its Common Stock; (ii) each director; and (iii) all directors and executive officers as a group. The Company believes that the beneficial owners of the Common Stock listed below, based on information furnished by such owners, have sole investment and voting power with respect to such shares, subject to community property laws where applicable.

The address for each listed director and officer is c/o Delcath Systems, Inc., 1100 Summer Street, Stamford, Connecticut 06905.

DIRECTORS, EXECUTIVE OFFICERS AND 5% STOCKHOLDERS: -----	SHARES BENEFICIALLY OWNED -----	PERCENTAGE OF COMMON SHARES OUTSTANDING -----
M. S. Koly (4)	1,673,497	40.4%
Venkol Trust (5)	1,374,013	35.2%
Samuel Herschkowitz, M.D. (6)	343,472	8.5%
Frank G. Mancuso, Jr. (7)	110,891	2.8%
James V. Sorrentino, PhD (8)	68,663	1.7%
William I. Bergman (9)	63,833	1.6%
Mark A. Corigliano (10)	3,000	*
Daniel Isdaner (11)	15,000	*
Victor Nevins (12)	10,000	*
Thomas S. Grogan (13)	-	*
All directors and executive officers as a group (nine persons) (14)	2,092,981	46.9%

* Less than 1% of total voting securities

- (1) Except as otherwise noted in the footnotes to this table, each person or entity named in the table has sole voting and investment power with respect to all shares owned, based on the information provided to use by the persons or entities named in the table.
- (2) Shares of Common Stock subject to options exercisable within 60 days of December 31, 2001 are deemed outstanding for computing the percentage of the person or entity holding such securities.
- (3) Percentage of beneficial ownership is calculated on the basis of the amount of outstanding securities (Common Stock) at December 31, 2001 (3,903,816 common shares) plus, for each person or entity, any securities that person or entity has the right to acquire within 60 days pursuant to stock options or other rights.
- (4) Mr. Koly is a director of Delcath. Includes 38,507 shares held by Mr. Koly, and 19,231 shares held by M. Ted Koly, Mr. Koly's minor son. The figure above also includes the vested portion (241,746 shares) of incentive/nonqualified stock options to purchase 114,350 shares of the Company's Common Stock under the Company's 1992 Incentive Stock Option Plan for a weighted average exercise price of \$3.98 per share and 25,396 shares of Common Stock under the Company's 1992 Non-Incentive Stock Option Plan for an exercise price of \$4.93 per share; and 102,000 shares of Common Stock under the Company's 2000 Stock Option Plan for \$3.3125 per share. The figure also includes 1,374,013 shares held by Venkol Trust. The figure above does not include the unvested portion (100,000 shares) of an incentive stock option to purchase 100,000 shares of the Company's Common Stock under the Company's 2001 Stock Option Plan for an exercise price of \$0.60 per share.

- (5) Mr. Koly is the trustee of Venkol Trust and is deemed the beneficial owner of its shares.
- (6) Dr. Herschkowitz is the Chairman of the Board of Directors of Delcath. The figure above includes 17,738 shares held by Dr. Herschkowitz; and an estimated 180,898 shares held by Venkol Trust, as to which Dr. Herschkowitz has a beneficial remainder interest. The Venkol Trust share amount is a maximum estimated distribution because the Venkol Trust has not determined the final distribution amounts. The figure also includes the vested portion (144,836 shares) of an incentive/non-qualified stock options to purchase 75,427 shares of the Company's Common Stock under the Company's 1992 Incentive Stock Option Plan for a weighted average exercise price of \$4.05 per share, and 9,109 shares of Common Stock under the Company's 1992 Non-Incentive Stock Option Plan for \$4.93 per share; and 60,300 shares of Common Stock under the Company's 2000 Stock Option Plan for an exercise price of \$4.93 per share. The figure above does not include the unvested portion (30,000 shares) of an incentive stock option to purchase 30,000 shares of the Company's Common Stock under the Company's 2001 Stock Option Plan for an exercise price of \$.85 per share.
- (7) Mr. Mancuso's resigned as a director of the Company on October 1, 2001. The figure above includes an estimated 14,477 shares held by Venkol Trust, as to which Mr. Mancuso has a beneficial remainder interest. The Venkol Trust share amount is a maximum estimated distribution because the Venkol Trust has not determined the final distribution amounts. The figure above also includes 504 shares issuable upon the exercise of warrants at a price of \$10.87 per share until April 30, 2002. Also includes the vested portion (56,932 shares) of a non-incentive stock option to purchase 56,932 shares of the Company's Common Stock under the Company's 1992 Non-Incentive Stock Option Plan for a weighted average exercise price of \$4.13 per share. Also includes 281,424 shares issuable upon exercise of Warrants.
- (8) Mr. Sorrentino resigned as director on October 26, 2001. Includes vested portion (56,932 shares) of a non- incentive stock option to purchase 56,932 shares of the Company's Common Stock under the Company's 1992 Non-Incentive Stock Option Plan for a weighted average exercise price of \$4.13 per share.
- (9) Mr. Bergman resigned as director on September 21, 2001. Includes vested portion (56,932 shares) of a non- incentive stock option to purchase 56,932 shares of the Company's Common Stock under the Company's 1992 Non-Incentive Stock Option Plan for a weighted average exercise price of \$4.13 per share.
- (10) Mr. Corigliano is a director of Delcath. The figure above represents 1,500 shares owned directly by him, and 1,500 shares issuable upon the exercise of Warrants at a price of \$6.60 per share until October 18, 2005. Does not include a non-incentive stock option to purchase 30,000 shares of the Company's Common Stock under the Company's 2000 Stock Option Plan for an exercise price of \$.85 per share, none of which are vested.
- (11) Mr. Isdamer is a director of Delcath. The figure above represents 7,500 shares directly owned by him or jointly with his wife, and 7,500 shares issuable upon the exercise of Warrants at a price of \$6.60 per share until October 18, 2005. Does not include a non-incentive stock option to purchase 30,000 shares of the Company's Common Stock under the Company's 2000 Stock Option Plan for an exercise price of \$.85 per share, none of which are vested.
- (12) Mr. Nevins is a director of Delcath. The figure above represents 4,000 shares owned directly by him, and 4,000 shares issuable upon the exercise of Warrants at a price of \$6.60 per share until October 18, 2005. The above figure also represents 1,000 shares owned directly by his wife, and 1,000 shares issuable upon the exercise of Warrants at a price of \$6.60 per share until October 18, 2005. Does not include a non-incentive stock option to purchase 30,000 shares of the Company's Common Stock under the Company's 2000 Stock Option Plan for an exercise price of \$.85 per share, none of which are vested.
- (13) Mr. Grogan is the Chief Financial Officer of Delcath. Does not include a non-incentive stock option to purchase 30,000 shares of the Company's Common Stock under the Company's 2001 Stock Option Plan for an exercise price of \$.85 per share, none of which are vested.
- (14) The number of shares beneficially owned by all directors and executive officers as a group includes 1,406,773 shares of Common Stock issuable

upon exercise of certain stock options granted to directors and executive officers pursuant to the Company's various Stock Option Plans.

RIGHTS AGREEMENT

On October 30, 2001, the Company entered into a Rights Agreement with American Stock Transfer & Trust Company (the "Rights Agreement") in connection with the implementation of the Company's stockholder rights plan (the "Rights Plan"). A copy of the Rights Agreement is incorporated by reference herein as Exhibit 4.7. The purposes of the Rights Plan are to deter, and protect the Company's shareholders from, certain coercive and otherwise unfair takeover tactics and to enable the Board of Directors to represent effectively the interests of shareholders in the event of a takeover attempt. The Rights Plan does not deter negotiated mergers or business combinations that the Board of Directors determines to be in the best interests of the Company and its shareholders.

To implement the Rights Plan the Board of Directors declared a dividend of one Common Stock purchase right (a "Right") for each share of Common Stock of the Company, par value \$0.01 per share (the "Common Stock") outstanding at the close of business on November 14, 2001 (the "Record Date") or issued by the Company on or after such date and prior to the earlier of the Distribution Date, the Redemption Date or the Final Expiration Date (as such terms are defined in the Rights Agreement). The dividend was issued on November 14, 2001 to stockholders of record on the Record Date. Each Right entitles the registered holder to purchase from the Company one share of Common Stock, at a price of \$5.00 per share, subject to adjustment (the "Purchase Price"). The description and terms of the Rights are set forth in the Rights Agreement.

RIGHTS ATTACHED TO COMMON STOCK INITIALLY

Common Stock certificates will evidence the Rights. A notation on the certificates will incorporate the Rights Plan and advise the certificate holder of the existence of the Rights. Until triggered, the Rights are transferred only with the Common Stock certificates. Common Stock certificates issued after November 14, 2001 will contain a legend referencing the existence of a stockholder rights plan. The surrender for transfer of outstanding Common Stock certificates will also constitute the transfer of the Rights associated with the Common Stock.

DISTRIBUTION OF RIGHTS

The Company will mail separate certificates evidencing the Rights to holders of record of the Common Stock on the Distribution Date. The Distribution Date will be the date the Rights separate from the Common Stock, and will be the earlier to occur of the following two events:

- - the close of business on the first day of a public announcement that a person or group of affiliated or associated persons (an "Acquiring Person") has acquired beneficial ownership of 15% or more of the outstanding Common Stock; or
- - 10 business days following the commencement of, or announcement of an intention to make, a tender or exchange offer the consummation of which would result in the beneficial ownership by a person or group of 15% or more of such outstanding Common Stock. As soon as practicable following the Distribution Date, separate certificates evidencing the Rights ("Right Certificates") will be mailed to holders of record of the Common Stock as of the close of business on the Distribution Date and such separate Right Certificates alone will evidence the Rights. The Rights are not exercisable until the Distribution Date. The Rights will expire on October 30, 2011, unless earlier redeemed or extended by the Board.

RIGHT TO PURCHASE COMPANY STOCK

In the event a person becomes the owner of 15% or more of the outstanding shares of Common Stock and thus becomes an Acquiring Person (a "Flip-In Event"), the Rights not held by the Acquiring Person "flip-in" and, instead of continuing as rights to buy one share of Common Stock, become rights to buy from the Company shares of

Common Stock having a value equal to two times the Purchase Price of the Right. In other words, a Rights holder (other than the Acquiring Person) may purchase Common Stock at a 50% discount.

In the event there is insufficient Common Stock to permit exercise in full of the Rights, the Company must issue cash, property or other securities of the Company with an aggregate value equal to twice the Purchase Price.

Upon the occurrence of any such Flip-In Event, any Rights owned by an Acquiring Person, its affiliates and associates and certain transferees thereof, shall become null and void.

RIGHT TO PURCHASE ACQUIRING PERSON STOCK

In the event that a person becomes an Acquiring Person, the Company is then merged, and the Common Stock is exchanged or converted in the merger, then each Right (other than those formerly held by the Acquiring Person, which became void) would "flip-over" and be exercisable for a number of shares of Common Stock of the acquiring company having a market value of two times the Purchase Price of the Right. In other words, a Rights holder may purchase the acquiring company's common stock at a 50% discount.

EXCHANGE OF RIGHTS FOR COMMON STOCK

After a Flip-In Event but before a "flip-over" event (as described above) occurs and before an Acquiring Person becomes the owner of 50% or more of the Common Stock, the Board may cause the Rights (either in whole or in part) to be exchanged for shares of Common Stock (or equivalent securities, of equal value) at a one-to-one exchange ratio or pursuant to an equivalent cashless exercise method. Rights held by the Acquiring Person, however, which became void upon the Flip-In Event, would not be entitled to participate in such exchange.

REDEMPTION

The Rights may be redeemed by the Board at a redemption price of \$0.01 per Right at any time prior to the earlier of:

- - the time that a person or a group becomes an Acquiring Person, or
- - October 30, 2011, the expiration date of the Rights Agreement.

Immediately upon redemption and without further action and without any notice, the right to exercise the Rights will terminate and the only right of the holders will be to receive the redemption price.

EXPIRATION OF RIGHTS

The Rights will expire on October 30, 2011, unless the expiration date is extended by amendment or unless the Rights are earlier redeemed or exchanged by the Company as described above.

AMENDMENTS OR SUPPLEMENTS

For so long as the Rights are redeemable, the terms of the Rights may be amended or supplemented by the Board of Directors at any time and from time to time without the consent of the holders of the Rights. At any time when the Rights are not redeemable, the Board of Directors may amend or supplement the terms of the Rights, provided that such amendment does not adversely affect the interests of the holders of the Rights.

NO RIGHTS AS STOCKHOLDERS

Until a Right is exercised, the holder thereof will have no rights as a stockholder of the Company, including, without limitation, the right to vote or to receive dividends.

MISCELLANEOUS

In order to prevent dilution, the Purchase Price, the number of Common Stock or other securities or property purchasable upon exercise of each Right and the number of Rights outstanding are subject to adjustment from time to time as provided in the Rights Agreement.

The Company is not required to issue fractions of Rights or to distribute Right Certificates which evidence fractional Rights (except as may be provided for in the Rights Agreement). In lieu of such fractional Rights, the Company will pay to the registered holders of the Right Certificates with regard to which such fractional Rights would otherwise be issuable, an amount of cash equal to the same fraction of the current market value of a whole Right.

ITEM 13. EXHIBITS AND REPORTS ON FORM 8-K.

(a) EXHIBITS

Except where indicated, the following exhibits were previously filed in connection with the Company's Registration Statement on Form SB-2, Registration No. 333-39470 or subsequent periodic reports, and are incorporated by reference.

Exhibit Number -----	Description -----
1.1	Form of Underwriting Agreement
3.1	Revised form of Amended and Restated Certificate of Incorporation of the Registrant
3.2	Revised form of By-Laws of the Registrant
4.1	Specimen Stock Certificate
4.2	Form of Underwriter's Warrant Agreement
4.3	Warrant Agreement among Registrant, Underwriter and Transfer Agent
4.4	Specimen Redeemable Warrant
4.5	Warrant Agreement between the Registrant and Euroland Marketing Solutions, Ltd.
4.6	Warrant No. W-2 to purchase up to 150,000 units granted to Euroland Marketing Solutions, Ltd.
4.7	Rights Agreement dated October 30, 2001
5.1	Opinion of Morse, Zelnick, Rose & Lander, LLP
10.1	1992 Incentive Stock Option Plan
10.2	1992 Non-Incentive Stock Option Plan
10.3	2000 Stock Option Plan
10.4	Employment Agreement between the Registrant and M.S Koly, as amended
10.5	Employment Agreement between the Registrant and Samuel Herschkowitz, M.D., as amended
10.6	Distributorship Agreement with Nissho Corporation
10.7	Form of Lock-up Agreement
10.8	Form of Promissory Note
10.9	Consulting Services Agreement between the Registrant and Euroland Marketing Solutions, Ltd.
10.10	Amendment to Key Employee Agreement between the Registrant and M. S. Koly dated October 30, 2001 (incorporated by reference to Exhibit 10.10 to the Company's Quarterly Report on Form 10-QSB for the quarter ended September 30, 2001 (Commission File No. 001-16133))
10.11	Amendment to Key Employee Agreement between the Registrant and Samuel Herschkowitz, M.D. dated October 30, 2001 (incorporated by reference to Exhibit 10.11 to the Company's Quarterly Report on Form 10-QSB for the quarter ended September 30, 2001 (Commission File No. 001-16133))
10.12(*)	2001 Stock Option Plan
10.13	Engagement Agreement between the Registrant and Redington Inc. for the period from November 1, 2000-October 31, 2001
24	Power of Attorney (incorporated by reference to Exhibit 24 to the Company's Annual Report on Form 10-KSB for the year ended December 31, 2001 (Commission File No. 001-16133))

(*) Filed herewith.

(b) REPORTS ON FORM 8-K

No reports on Form 8-K were filed by the Company during the Company's fiscal quarter ended December 31, 2001.

SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the registrant caused this amendment to its report to be signed on its behalf by the undersigned, thereunto duly authorized. DELCATH SYSTEMS, Inc. Registrant

/s/ M. S. Koly

M. S. Koly, President

April 5, 2002

This amendment has been executed in the same manner as a Form 8 would have been executed prior to the rescission of Form 8. SEE, Part V.F.2 of Release 34-31905 (February 23, 1993).

DELCATH SYSTEMS, INC.

2001 STOCK OPTION PLAN

SECTION 1
GENERAL

1.1 PURPOSE OF PLAN

The purpose of this 2001 Stock Option Plan (the "Plan") is to further the growth and development of Delcath Systems, Inc. (the "Company") and any direct and indirect subsidiaries thereof (collectively, "Subsidiaries", and each, singly, a "Subsidiary" by encouraging selected employees, directors and other persons who contribute and are expected to contribute materially to the Company's success to obtain a proprietary interest in the Company through the ownership of stock, thereby providing such persons with an added incentive to promote the best interests of the Company and affording the Company a means of attracting to its service persons of outstanding ability.

1.2 STOCK SUBJECT TO THE PLAN

An aggregate of 750,000 shares of the Company's Common Stock, \$0.01 par value ("Common Stock"), subject, however, to adjustment or change pursuant to Section 5.4 hereof, shall be reserved for issuance upon the exercise of incentive stock options ("Incentive Stock Option(s)") within the meaning of Section 422(b) of the Internal Revenue Code of 1986, as amended (the "Code") and nonqualified stock options ("Nonqualified Stock Option(s)") (hereinafter collectively referred to as "Options") which may be granted from time to time in accordance with the Plan. Such shares may be, in whole or in part, as the Compensation Committee (the "Committee") shall from time to time determine, authorized but unissued shares or issued shares, which have been reacquired by the Company. If, for any reason, an Option shall lapse, expire or terminate without having been exercised in full, the unpurchased shares covered thereby shall again be available for purposes of the Plan. Notwithstanding anything in the Plan to the contrary, during the term of the Plan, the maximum aggregate number of shares of Common Stock that shall be subject to Options granted under the Plan to any single employee during any calendar year shall be 350,000 shares.

SECTION 2
COMPENSATION COMMITTEE

2.1 ADMINISTRATION

The Board of Directors shall appoint the Committee from among its members. Such Committee shall be composed of two or more Directors who shall be "disinterested persons" as defined under Rule 16b-3 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Such Committee shall have and may exercise any and all

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of the powers relating to the administration of the Plan and the grant of Options thereunder as are set forth in Section 2.2 hereof. The Board of Directors shall have the power at any time to fill vacancies in, to change the membership of, or to discharge such Committee. The Committee shall select one of its members as its chairman and shall hold its meetings at such times and at such places as it shall deem advisable. A majority of such Committee shall constitute a quorum, and such majority shall determine its action. Any action may be taken without a meeting by written consent of all the members of the Committee. The Committee shall keep minutes of its proceedings and shall report the same to the Board of Directors at the meeting next succeeding.

2.2 POWERS OF COMMITTEE

The Committee's administration of the Plan shall be subject to the following:

(a) The Committee shall administer the Plan and, subject to the provisions of the Plan, shall have sole authority in its discretion to determine the persons to whom (collectively, "Optionholders", and each, singly, an "Optionholder"), and the time or times at which, Options shall be granted, and the number of shares to be subject to each such Option.

(b) In making such determinations, the Committee may take into account the nature of the services rendered by such persons, their present and potential contributions to the Company's success and such other factors as the Committee in its sole discretion may deem relevant.

(c) Subject to the express provisions of the Plan, the Committee shall also have the authority to interpret the Plan, to prescribe, amend and rescind rules and regulations relating thereto, to determine the terms and provisions of the respective Option Agreements, which shall be substantially in the form attached hereto as Exhibit A, and to make all other determinations necessary or advisable for the administration of the Plan, all of which determinations shall be conclusive and not subject to review.

2.3 DELEGATION BY COMMITTEE

Except to the extent prohibited by applicable law or the applicable rules of a stock exchange, the Committee may allocate all or any portion of its responsibilities and powers to any one or members and may delegate all or any part of its responsibilities and powers to any person or persons selected by it. Any such allocation or delegation may be revoked by the Committee at any time.

2.4 INFORMATION TO BE FURNISHED TO COMMITTEE

The Company and Subsidiaries shall furnish the Committee with such data and information as it determines may be required for it to discharge its duties. The records of the Company and Subsidiaries as to an employee's or Optionholder's employment, termination of employment, leave of absence, reemployment and compensation shall be conclusive on all persons unless determined to be incorrect. Employees and other persons entitled to benefits under the Plan must furnish the Committee such evidence, data or information as the Committee considers desirable to carry out the terms of the Plan.

SECTION 3
OPTIONS

3.1 ELIGIBILITY FOR RECEIPT OF OPTIONS

Options hereunder may be granted to any employees, directors, consultants, agents, independent contractors and other persons whom the Committee determines will contribute to the Company's success, provided that non-employees shall only be eligible to receive grants of Nonqualified Stock Options.

The aggregate Fair Market Value (as defined in Section 3.3 of the Plan), determined as of the time an Incentive Stock Option is granted, of the shares of the Company's Common Stock purchasable thereunder exercisable for the first time by an Optionholder during any calendar year may not exceed \$100,000.

Incentive Stock Options may not be granted to any person who, at the time the Incentive Stock Option is granted, owns (or is considered as owning within the meaning of Section 425(d) of the Code) stock possessing more than 10% of the total combined voting powers of all classes of stock of the Company or any Subsidiary (a "10% Owner"), unless at the time the Incentive Stock Option is granted to a 10% Owner, the Exercise Price (as defined in Section 3.2) is at least 110% of the Fair Market Value of the Common Stock subject thereto and such Incentive Stock Option by its terms is not exercisable subsequent to five years from the date of grant.

Nothing herein contained shall prohibit the Company from granting Options hereunder to any holder of any other incentive or non-incentive stock options of the Company, if any, provided the prospective recipient of Options hereunder is otherwise eligible to receive such Options pursuant to the terms of this Plan, and each type of option is clearly designated.

3.2 EXERCISE PRICE

The "Exercise Price" of each Option granted under this Agreement shall be established by the Committee or shall be determined by a method established by the Committee at the time the Option is granted; provided, however, that:

(a) The Exercise Price of an Incentive Stock Option shall not be less than 100% of the Fair Market Value of a share of Common Stock on the date of grant,

(b) An Incentive Stock Option shall not be granted to any individual who, at the time of grant, is a 10% Owner, unless the Exercise Price is not less than 110% of the Fair Market Value of a share of Common Stock on the date of grant, and

(c) In no event, based upon the facts known at the time of the grant, may an Exercise Price be established hereunder that would result in the disallowance of the Company's expense deduction pursuant to Section 162(m) of the Code.

3.3 FAIR MARKET VALUE

In determining the Fair Market Value of the Common Stock as of a specified date (the "Fair Market Value"), the Committee shall consider if the Common Stock is:

(a) publicly traded and listed on the New York Stock Exchange or another national securities exchange, the closing price of the Common Stock on the business day immediately preceding the date as of which the Fair Market Value is being determined, or on the next preceding date on which such Common Stock is traded if no Common Stock was traded on such immediately preceding business day, or, if the Common Stock is not so listed on a national securities exchange, but publicly traded, the representative closing bid price in the over-the-counter market as reported by NASDAQ or as quoted by the National Quotation Bureau or a recognized dealer in the Common Stock, on the date immediately preceding the date as of which the Fair Market Value is being determined, or on the next preceding date on which such Common Stock is traded if no Common Stock was traded on such immediately preceding business day; or

(b) not publicly traded, the Fair Market Value as determined by the Committee in good faith based on such factors as it shall deem appropriate. The Committee may also consider such other factors as it shall deem appropriate.

3.4 DATE OF GRANT

For purposes of the Plan, the date of grant of an Option shall be the date on which the Committee shall by resolution duly authorize such Option.

SECTION 4 EXERCISE OF OPTIONS

4.1 TERM OF OPTIONS

The term of each Option shall be such number of years as the Committee shall determine, subject to earlier termination as herein provided for employee Optionholders, and subject to the limitations set forth in Section 3.1 of this Plan with respect to grants to 10% owners, and for non-employee Optionholders upon or following the occurrence of such events, all as the Committee may determine at the time of grant of an Option, which events may include, without limitation, the termination or cessation of the Optionholder's performance of services to the Company or any subsidiary or the Optionholder's death or disability. In no event shall any Option be for a term of more than ten years from the date of grant. Notwithstanding the foregoing, the term of Options intended to qualify as Incentive Stock Options shall not exceed five years from the date of granting thereof if such Option is granted to any employee who at the time such option is granted owns more than 10% of the total combined voting power of all classes of stock of the Company. No Option may be exercised following termination thereof.

4.2 VESTING

No Option granted under the Plan shall be exercisable until such date or dates (inclusive of the date of grant and thereafter) as shall be determined by the Committee, but in no event until at least six months from the date of grant, with each Option to be so exercisable to the extent determined by the Committee

4.3 MINIMUM EXERCISE

An Option may not be exercised for fewer than ten shares at any one time (or the remaining shares then purchasable if less than ten) and may not be exercised for fractional shares of the Company's Common Stock.

4.4 RESTRICTION

Except as provided in Sections 5.1, 5.2 and 5.3 hereof, no Option shall be exercisable unless the holder thereof shall have been an employee of the Company and/or a Subsidiary continuously from the date of grant to the date of exercise.

4.5 PAYMENT OF OPTION EXERCISE PRICE

The payment of the Exercise Price of an Option shall be subject to the following:

(a) The Exercise Price shall be payable in cash, by check made payable to the Company, or by tendering, by either actual delivery of shares or by attestation, shares of Common Stock that: (i) the Optionholder has held for at least six (6) months, and (ii) are valued at Fair Market Value as of the day of exercise, or in any combination thereof, as determined by the Committee.

(b) The Committee may permit an Optionholder to elect to pay the Exercise Price upon the exercise of an Option by irrevocably authorizing a third party to sell shares of Common Stock (or a sufficient portion of the shares) acquired upon exercise of the Option and remit to the Company a sufficient portion of the sale proceeds to pay the entire Exercise Price and any tax withholding resulting from such exercise, and upon receipt of such payment, the Company delivers the exercised shares to the third party.

(c) The Committee may permit the Company to loan the Optionholder sufficient funds to pay the Exercise Price (and any tax withholdings resulting from such exercise) upon the exercise of an Option.

(d) A written representation that at the time of such exercise it is the optionee's then present intention to acquire the Option shares for investment and not with a view to the distribution or resale thereof (unless a Registration Statement covering the shares purchasable upon exercise of the Options shall have been declared effective by the Securities and Exchange Commission, the Company being under no obligation to file such registration statement or process it to effectiveness);

(e) A written acknowledgement by the Optionholder, in such form as may be determined by the Committee, that an investment in the Common Stock of the Company involves a high degree of risk, that the Optionholder has received a copy of the Company's financial statements for the most recently ended fiscal year for which such statement is available (which shall be provided annually by the Company to each Optionholder), and that the Optionholder has had the opportunity to ask questions of management concerning the Company prior to the exercise of the Option (the Company to provide such information as the Optionholder may reasonably request;

(f) Such Stockholders' Agreement as the Company may require at the time of exercise of such Option (the "Stockholders' Agreement"), executed and delivered by the Optionholder, the form of which the Company reserves the right to change at any time and from time to time, and which, among other things, may restrict the sale of the Option shares and other shares of capital stock of the Company subsequently acquired by the Optionholder; and

(g) In the event such Optionholder is an employee of the Company or a Subsidiary, such Escrow Agreement, Pledge Agreement or other agreement as the Company may require (the "Deposit Agreement"), pursuant to which such Optionholder shall deposit, upon such exercise by the Optionholder, with the Company or such third party as may be designated by the Company, the Option shares acquired pursuant to the exercise of such Option, together with stock powers executed in blank by such Optionholder with respect to such Option shares as may be determined by the Company, the other provisions of the Stockholders' Agreement, and/or the repurchase by the Company of the Option shares described in Section 5.6 below, and which Deposit Agreement shall remain in effect until the termination, if at all, of the Stockholders' Agreement (at which time the Option shares and related stock powers would be returned).

(h) Subject to the provisions of this Section 4.5, the full Exercise Price for shares of Common Stock purchased upon the exercise of any Option shall be paid at the time of such exercise (except that, in the case of an exercise arrangement approved by the Committee and described in Sections 4.5(b) and 4.5(c), payment may be made as soon as practicable after the exercise).

(i) In the event the representation described in Section 4.5(d) is required and made and/or the Optionholder executes and delivers the Stockholders' Agreement, the Committee may cause each certificate evidencing the purchased Common Stock to be endorsed with one or more legends setting forth the restrictions on transfer or otherwise of such Common Stock.

4.6 RESTRICTIONS ON OPTIONHOLDER'S RIGHTS

The Optionholder shall have none of the rights of a stockholder with respect to the shares purchasable upon exercise of the Option until a certificate for such shares shall have been issued to the holder upon due exercise of the Option.

4.7 USE OF PROCEEDS

The proceeds received by the Company upon exercise of an Option shall be added to the Company's working capital and be available for general corporate purposes.

4.8 NON-TRANSFERABILITY OF OPTIONS

No Option granted pursuant to the Plan shall be transferable otherwise than by will or the laws of descent and distribution, and an Option may be exercised during the lifetime of the Optionholder only by such Optionholder.

SECTION 5 TERMINATION OF EMPLOYMENT AND CHANGE OF CONTROL

5.1 TERMINATION OF EMPLOYMENT OF OPTIONHOLDER

In the event the employment with the Company (or a Subsidiary thereof) of an Optionholder shall be terminated for any reason other than by reason of death, disability within the meaning of Section 22(e)(3) of the Code, retirement at or after age 65, or termination of employment without cause, such Optionholder's Option shall immediately terminate, lapse and expire. Absence or leave approved by the Company shall not be considered an interruption of employment for any purpose under the Plan.

In the event that the Optionholder's employment with the Company (or a Subsidiary thereof) is terminated without cause, the unexpired vested portion of the Optionholder's Option will immediately terminate, lapse and expire unless the Optionholder provides written notice of exercise of the vested portion of the Option within two weeks from the date of termination of the Optionholder's employment with the Company (or a Subsidiary thereof).

Nothing in the Plan or in any Option Agreement granted hereunder shall confer upon any Optionholder any right to commence or continue in the employ of the Company or any Subsidiary or obligate the Company or any Subsidiary to commence or continue the employment of any Optionholder or interfere in any way with the right of the Company or any such Subsidiary to terminate such Optionholder's employment, if any, at any time.

5.2 RETIREMENT OR DISABILITY OF OPTIONHOLDER

If the employment with the Company or a Subsidiary of the Optionholder shall be terminated by reason of such Optionholder's disability within the meaning of Section 22(e)(3) of the Code, or retirement at or after age 65, such Optionholder (or such Optionholder's legal representative, on such

Optionholder's behalf, if applicable) may, within six months from the date of such termination, exercise such Option, but only to the extent such Option was exercisable by such Optionholder at the date of such termination. Notwithstanding the foregoing, no Option may be exercised subsequent to the date of its expiration.

5.3 DEATH OF OPTIONHOLDER

If the Optionholder shall die while in the employ of the Company or a Subsidiary (or within six months following termination of employment due to disability within the meaning of Section 22(e)(3) of the Code, or retirement at or after age 65), the Option theretofore granted to such person may be exercised, but only to the extent such Option was exercisable by such Optionholder at the date of death (or the date of termination of employment due to disability or retirement at or after age 65) by the legatee or legatees of such person under such person's Last Will, or by such person's personal representative or distributees, within six months from the date of death but in no event subsequent to the expiration date of the Option.

5.4 ADJUSTMENTS UPON CHANGES IN CAPITALIZATION

If at any time after the date of grant of an Option, the Company shall by stock dividend, split-up, combination, reclassification or exchange, or through merger or consolidation or otherwise, change its shares of Common Stock into a different number or kind or class of shares or other securities or property, then the number of shares covered by such Option and the price per share thereof shall be proportionately adjusted for any such change by the Committee, whose determination thereon shall be conclusive. In the event that a fraction of a share results from the foregoing adjustment, said fraction shall be eliminated and the price per share of the remaining shares subject to the Option adjusted accordingly.

5.5 CHANGE IN CONTROL

Subject to the provisions of Section 5.4, and except as otherwise provided in the Plan, upon the occurrence of a Change in Control (as defined in Section 5.6) the Committee may determine that:

(a) All outstanding Options shall become fully vested and exercisable on a fully diluted basis and all Optionholders shall receive 30-days notice of a Change in Control and an opportunity to exercise their respective Options; or

(b) All outstanding Options shall be paid out immediately in cash for the full value of the Options as determined by the Committee on the date of the occurrence of the Change in Control; or

(c) All outstanding Options shall be substituted for options in the corporation resulting from the Change in Control.

5.6 CHANGE IN CONTROL DEFINED

The term "Change in Control" means a change in the beneficial ownership of the Company's voting stock or a change in the composition of the Company's Board of Directors (the "Board") that occurs as follows:

(a) An acquisition by an individual, entity or group (within the meaning of Section 13(d)(3) and 14(d)(2) of the Exchange Act) (a "Person") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 20% or more of the total voting power of the Company's then outstanding stock; excluding however, the following:

- (i) Any acquisition directly from the Company, other than an acquisition by virtue of the exercise of a conversion privilege unless the security being so converted was itself acquired directly from the Company,
- (ii) Any acquisition by the Company, or
- (iii) Any acquisition by any employee benefit plan sponsored or maintained by the Company or any corporation controlled by the Company, or
- (iv) Any acquisition by any corporation pursuant to a transaction which complies with clauses (i), (ii) and (iii) of subsection (c) of this Section 5.5; or

(b) A change in the composition of the Board such that the individuals who were the Board's nominees for election as directors of the Company immediately prior to a meeting of the stockholders of the Company (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual who becomes a member of the Board whose election, or nomination for election by the Company's stockholders, was approved by a vote of at least a majority of those individuals comprising the Incumbent Board shall be considered as though such individuals were a member of the Incumbent Board; but, provided further, that any such individual whose initial assumption of office occurs as a result of either an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board shall not be so considered as a member of the Incumbent Board; or

(c) The approval by the stockholders of the Company of a reorganization, merger, consolidation, share exchange or sale or other disposition of all or substantially all of the assets of the Company ("Corporate Transaction") or, if consummation of such Corporate Transaction is subject, at the time of such approval by stockholders, to the consent of any government or governmental agency, the obtaining of such consent (either explicitly or implicitly by consummation); excluding, however, such a Corporate Transaction pursuant to which:

- (i) All or substantially all of the individuals and entities who are the beneficial owners, respectively, of the Company's outstanding securities immediately prior to such Corporate Transaction will beneficially own, directly or indirectly, more than 60% of the outstanding stock of the corporation resulting from such Corporate Transaction (including, without limitation, a corporation which as a result of such transaction owns the Company or all or substantially all of the Company's assets either directly or indirectly or through one or more Subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Corporate Transaction, of the Company's outstanding stock, as the case may be,
- (ii) No Person (other than the Company, an employee benefit plan of the Company or such corporation resulting from such Corporate Transaction) will beneficially own, directly or indirectly, 20% or more of the outstanding stock of the corporation resulting from such Corporate Transaction, and
- (iii) Individuals who were members of the Incumbent Board will constitute at least a majority of the members of the Board of the corporation resulting from such Corporate Transaction; or

(d) The approval by the stockholders of the Company of a complete liquidation or dissolution of the Company.

5.7 VESTING OF RIGHTS UNDER OPTIONS

Neither anything contained in the Plan nor in any resolution adopted or to be adopted by the Committee or the stockholders of the Company shall constitute the vesting of any rights under any Option. The vesting of such rights shall take place only when a written Option Agreement, substantially in the form of the respective Option Agreements attached hereto as Exhibit A shall be duly executed and delivered by and on behalf of the Company and the person to whom the Option shall be granted.

SECTION 6 TERMINATION AND AMENDMENT

6.1 TERMINATION AND AMENDMENT

The Plan, which has been adopted by the Board of Directors on May 8, 2001 and which shall be submitted for ratification by the stockholders of the Company within twelve months of adoption, shall terminate on May 8, 2011, and no Option shall be granted under the Plan after such date. The Board of Directors may at any time prior to such date terminate the Plan or make such modifications or amendments thereto as it shall deem advisable; provided, however, that:

(a) no increase shall be made in the aggregate number of shares which may be issued under the Plan;

(b) no such termination, modification or amendment shall materially adversely affect the rights of an Optionholder previously granted under the Plan;

(c) no modification shall be made to the requirements of eligibility for participation in the Plan; and

(d) no material increase shall be made in the benefits accruing to participants under the Plan.