

NEPHROS INC  
Form 424B3  
November 14, 2011

Prospectus Supplement Filed Pursuant to Rule 424(b)(3)  
Registration No. 333-169728

PROSPECTUS SUPPLEMENT NO. 1 DATED NOVEMBER 14, 2011  
(To Prospectus Dated October 18, 2011)

NEPHROS, INC.

This is a supplement (“Prospectus Supplement No. 1”) to our prospectus, dated October 18, 2011 (the “Prospectus”), relating to the issuance of shares of our common stock pursuant to the exercise of warrants to purchase an aggregate of 4,590,171 shares of common stock.

This Prospectus Supplement No. 1 is not complete without, and may not be delivered or utilized except in connection with, the Prospectus, including any amendments or supplements thereto.

Quarterly Report on Form 10-Q for the Quarter Ended September 30, 2011

On November 14, 2011, we filed with the Securities and Exchange Commission a quarterly report on Form 10-Q for the quarter ended September 30, 2011 (the “Form 10-Q”). The Form 10-Q, as filed (but without the exhibits filed with the Form 10-Q), is set forth below.

The information contained in this Prospectus Supplement No. 1 supplements and supersedes, in relevant part, the information contained in the Prospectus, as amended and supplemented. This Prospectus Supplement No. 1 is incorporated by reference into, and should be read in conjunction with, the Prospectus, as amended and supplemented, and is not complete without, and may not be delivered or utilized except in connection with, the Prospectus, as amended and supplemented.

All references in the Prospectus to “this prospectus” are amended to read “this prospectus (as supplemented and amended).”

**INVESTING IN OUR COMMON STOCK INVOLVES SUBSTANTIAL RISKS. SEE “ RISK FACTORS ” BEGINNING ON PAGE 5 OF THE PROSPECTUS TO READ ABOUT IMPORTANT FACTORS YOU SHOULD CONSIDER BEFORE PURCHASING OUR COMMON STOCK.**

**WE DO NOT INTEND TO SELL ANY MORE UNITS.**

**NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR PASSED UPON THE ADEQUACY OR ACCURACY OF THIS PROSPECTUS SUPPLEMENT NO. 1. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.**

The date of this Prospectus Supplement No. 1 is November 14, 2011

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

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934

For the quarterly period ended: September 30, 2011

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934

For the transition period from: \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 001-32288

NEPHROS, INC.

(Exact name of Registrant as Specified in Its Charter)

DELAWARE  
(State or Other Jurisdiction of  
Incorporation or Organization)

13-3971809  
(I.R.S. Employer  
Identification No.)

41 Grand Avenue  
River Edge, NJ  
(Address of Principal Executive Offices)

07661  
(Zip code)

(201) 343-5202

Registrant's Telephone Number, Including Area Code

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

Indicate by check mark whether the registrant: (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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

YES  NO

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Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer   
Non-accelerated filer  (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).  
 YES  NO

As of November 7, 2011, 10,473,134 shares of issuer's common stock, with \$0.001 par value per share, were outstanding.

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## PART I –FINANCIAL INFORMATION

## Item 1. Financial Statements.

## NEPHROS, INC. AND SUBSIDIARY

## CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except share amounts)

	(Unaudited) September 30, 2011	(Audited) December 31, 2010
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 2,117	\$ 240
Accounts receivable	203	326
Inventory, less allowances of \$18	396	726
Prepaid expenses and other current assets	132	190
Total current assets	2,848	1,482
Property and equipment, net	37	108
Total assets	\$ 2,885	\$ 1,590
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Short-term borrowings	\$ -	\$ 500
Accounts payable	427	441
Accrued expenses	105	481
Deferred revenue	500	33
Total current liabilities	1,032	1,455
Commitments and Contingencies (Note 11)		
Stockholders' equity:		
Preferred stock, \$.001 par value; 5,000,000 shares authorized at September 30, 2011 and December 31, 2010; no shares issued and outstanding at September 30, 2011 and December 31, 2010	-	-
Common stock, \$.001 par value; 90,000,000 authorized at September 30, 2011 and December 31, 2010; 10,065,118 and 2,090,552 shares issued and outstanding at September 30, 2011 and December 31, 2010, respectively	10	2
Additional paid-in capital	95,398	92,019
Accumulated other comprehensive income	75	22
Accumulated deficit	(93,630)	(91,908)
Total stockholders' equity	1,853	135
Total liabilities and stockholders' equity	\$ 2,885	\$ 1,590

The accompanying notes are an integral part of these unaudited condensed consolidated interim financial statements



## NEPHROS, INC. AND SUBSIDIARY

## UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except share and per share amounts)

(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2011	2010	2011	2010
Net revenues:				
Product revenues	\$ 220	\$ 622	\$ 1,538	\$ 2,421
Licensing revenues	187	-	187	-
Total net revenues	407	622	1,725	2,421
Cost of goods sold	98	319	1,014	1,446
Gross margin	309			