

NEPHROS INC
Form 424B3
November 12, 2015

Prospectus Supplement Filed Pursuant to Rule 424(b)(3)

Registration No. 333-206344

PROSPECTUS SUPPLEMENT NO. 1 DATED November 12, 2015

(To Prospectus Dated September 4, 2015)

NEPHROS, INC.

This is a supplement (“Prospectus Supplement No. 1”) to our prospectus, dated September 4, 2015 (the “Prospectus”), relating to up to 5,150,000 shares of our 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, 2015

On November 10, 2015, we filed with the Securities and Exchange Commission a quarterly report on Form 10-Q for the quarter ended September 30, 2015 (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 7 of the Prospectus to read about important factors you should consider before purchasing our common stock.

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 12, 2015

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, 2015**

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

13-3971809

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(State or Other Jurisdiction of Incorporation or Organization)(I.R.S. Employer Identification No.)

41 Grand Avenue

07661

River Edge, NJ

(Address of Principal Executive Offices)

(Zip code)

(201) 343-5202

Registrant's Telephone Number, Including Area Code

(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

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

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As of November 4, 2015, 45,025,803 shares of the registrant's common stock, \$0.001 par value per share, were outstanding.

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SIGNATURES

NEPHROS, INC. AND SUBSIDIARY

CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except share amounts)

	(Unaudited) September 30, 2015	(Audited) December 31, 2014
ASSETS		
Current assets:		
Cash	\$ 1,813	\$1,284
Accounts receivable, net	216	110
Inventory, net	665	186
Prepaid expenses and other current assets	85	104
Total current assets	2,779	1,684
Property and equipment, net	-	1
Other assets, net of accumulated amortization	1,526	1,684
Total assets	\$ 4,305	\$3,369
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current liabilities:		
Accounts payable	\$ 924	\$835
Accrued expenses	154	342
Deferred revenue, current portion	70	70
Total current liabilities	1,148	1,247
Warrant liability	-	7,386
Long-term portion of deferred revenue	365	417
Total liabilities	1,513	9,050
Commitments and Contingencies		
Stockholders' equity (deficit):		
Preferred stock, \$.001 par value; 5,000,000 shares authorized at September 30, 2015 and December 31, 2014; no shares issued and outstanding at September 30, 2015 and December 31, 2014	-	-
Common stock, \$.001 par value; 90,000,000 shares authorized at September 30, 2015 and December 31, 2014; 45,025,803 and 30,391,513 shares issued and outstanding at September 30, 2015 and December 31, 2014, respectively	45	30
Additional paid-in capital	118,993	108,382
Accumulated other comprehensive income	72	72

Accumulated deficit	(116,318)	(114,165)
Total stockholders' equity (deficit)	2,792	(5,681)
Total liabilities and stockholders' equity (deficit)	\$ 4,305	\$3,369

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

NEPHROS, INC. AND SUBSIDIARY

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME
(LOSS)

(In thousands, except share and per share amounts)

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Net revenues:				
Product revenues	\$274	\$298	\$1,323	\$765
License and royalty revenues	46	193	110	641
Total net revenues	320	491	1,433	1,406
Cost of goods sold	154	175	626	423
Gross margin	166	316	807	983
Operating expenses:				
Research and development	226	178	582	521
Depreciation and amortization	53	54	159	164
Selling, general and administrative	974	765	2,551	2,177
Total operating expenses	1,253	997	3,292	2,862
Loss from operations	(1,087	) (681	) (2,485	) (1,879
Change in fair value of warrant liability	2,287	3,428	2,099	(4,007
Warrant modification expense	(1,761	) -	(1,761) -
Interest expense	(9	) (65	) (30	) (277
Other income (expense)	(11	) 41	24	36
Net income (loss)	(581	) 2,723	(2,153	) (6,127
Other comprehensive income (loss), foreign currency translation adjustments	1	1	-	(1
Total comprehensive income (loss)	(580	) 2,724	(2,153	) (6,128
Net income (loss) per common share, basic	\$(0.02	) \$0.11	\$(0.07	) \$(0.27
Net loss per common share, diluted	\$(0.02	) \$(0.02	) \$(0.07	) \$(0.27
Weighted average common shares outstanding, basic	32,622,377	25,238,412	31,366,292	23,094,457
Weighted average common shares outstanding, diluted	32,622,377	33,491,189	31,366,292	23,094,457

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

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NEPHROS, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)

(In Thousands, Except Share Amounts)

(Unaudited)

	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Income	Accumulated Deficit	Total
	Shares	Amount				
Balance, December 31, 2014 (audited)	30,391,513	\$ 30	\$ 108,382	\$ 72	\$ (114,165)	\$ (5,681)
Net loss					(2,153)	(2,153)
Issuance of common stock, net of equity issuance costs of \$24	1,834,299	2	1,203			1,205
Issuance of common stock, net of commitment fee of \$135	550,000	1	162			163
Issuance of restricted stock	389,151		174			174
Issuance of restricted stock to vendor	116,613		57			57
Exercise of warrants	11,744,227	12	8,799			8,811
Noncash stock-based compensation			216			216
Balance, September 30, 2015	45,025,803	\$ 45	\$ 118,993	\$ 72	\$ (116,318)	\$ 2,792

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

NEPHROS, INC. AND SUBSIDIARY

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(Unaudited)

	Nine Months Ended September 30, 2015	2014
Operating activities:		
Net loss	\$ (2,153)	\$ (6,127)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation of property and equipment	1	6
Amortization of other assets	158	158
Noncash stock-based compensation, including stock options and restricted stock	216	321
Shares issued for services rendered to vendors	47	-
Change in fair value of warrant liability	(2,099)	4,007
Warrant modification	1,761	-
Amortization of debt discount	-	173
Allowance for doubtful accounts	13	
Inventory reserve	-	31
(Gain)/loss on foreign currency transactions	3	(40)

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(Increase) decrease in operating assets:			
Accounts receivable	(119)	(57)	
Inventory	(479)	24	
Prepaid expenses and other current assets	56	92	
Increase (decrease) in operating liabilities:			
Accounts payable	86	(125)	
Accrued expenses	(14)	(104)	
Deferred revenue	(52)	(23)	
Net cash used in operating activities	(2,575)	(1,664)	
Financing activities:			
Proceeds from issuance of common stock	1,340	2,013	
Proceeds from senior secured note	-	1,610	
Proceeds from exercise of warrants	1,762	11	
Payment of senior secured note	-	(1,500)	
Net cash provided by financing activities	3,102	2,134	
Effect of exchange rates on cash and cash equivalents	2	(2)	
Net increase in cash	529	468	
Cash, beginning of period	1,284	579	
Cash, end of period	\$		