

NEPHROS INC
Form 424B3
November 14, 2016

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

Registration No. 333-206344

PROSPECTUS SUPPLEMENT NO. 3 DATED November 14, 2016

(To Prospectus Dated May 10, 2016)

NEPHROS, INC.

This is a supplement (“Prospectus Supplement No. 3”) to our prospectus, dated May 10, 2016 (the “Prospectus”), relating to up to 5,150,000 shares of our common stock.

This Prospectus Supplement No. 3 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, 2016

On November 10, 2016, we filed with the Securities and Exchange Commission a quarterly report on Form 10-Q for the quarter ended September 30, 2016 (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. 3 supplements and supersedes, in relevant part, the information contained in the Prospectus, as amended and supplemented. This Prospectus Supplement No. 3 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 8 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. 3. Any representation to the contrary is a criminal offense.

The date of this Prospectus Supplement No. 3 is November 14, 2016

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, 2016**

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

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

As of November 4, 2016, 49,216,086 shares of the registrant's common stock, \$0.001 par value per share, were outstanding.

Table of Contents

	Page No.
<u>PART I - FINANCIAL INFORMATION</u>	
Item 1. <u>Financial Statements</u>	3
<u>Condensed Consolidated Balance Sheets - September 30, 2016 (unaudited) and December 31, 2015 (audited)</u>	3
<u>Condensed Consolidated Statements of Operations and Comprehensive Loss - Three and nine months ended September 30, 2016 and 2015 (unaudited)</u>	4
<u>Consolidated Statement of Changes in Stockholders' Equity - Nine months ended September 30, 2016 (unaudited)</u>	5
<u>Condensed Consolidated Statements of Cash Flows - Nine months ended September 30, 2016 and 2015 (unaudited)</u>	6
<u>Notes to Unaudited Condensed Consolidated Interim Financial Statements</u>	7
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	18
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	30
Item 4. <u>Controls and Procedures</u>	30
<u>PART II - OTHER INFORMATION</u>	31
Item 6. <u>Exhibits</u>	31
<u>SIGNATURES</u>	32

PART I - FINANCIAL INFORMATION**Item 1. Financial Statements.****NEPHROS, INC. AND SUBSIDIARY****CONDENSED CONSOLIDATED BALANCE SHEETS****(In thousands, except share amounts)**

	September 30, 2016 (Unaudited)	December 31, 2015 (Audited)
ASSETS		
Current assets:		
Cash	\$ 807	\$1,248
Accounts receivable, net	311	397
Investment in lease, net-current portion	22	-
Inventory, net	341	591
Prepaid expenses and other current assets	51	228
Total current assets	1,532	2,464
Property and equipment, net	77	12
Investment in lease, net-less current portion	65	-
Other assets, net	1,336	1,494
Total assets	\$ 3,010	\$3,970
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable	\$ 444	\$652
Accrued expenses	170	237
Deferred revenue, current portion	70	70
Total current liabilities	684	959
Unsecured long-term note payable, net of debt issuance costs and debt discount of \$373	814	-
Long-term portion of deferred revenue	295	347
Total liabilities	1,793	1,306
Commitments and Contingencies		
Stockholders' equity:	-	-

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Preferred stock, \$.001 par value; 5,000,000 shares authorized at September 30, 2016 and December 31, 2015; no shares issued and outstanding at September 30, 2016 and December 31, 2015

Common stock, \$.001 par value; 90,000,000 shares authorized at September 30, 2016 and December 31, 2015; 49,216,086 and 48,580,355 shares issued and outstanding at September 30, 2016 and December 31, 2015, respectively

Additional paid-in capital	49	49
Accumulated other comprehensive income	120,726	119,797
Accumulated deficit	72	71
Total stockholders' equity	(119,630)	(117,253)
Total liabilities and stockholders' equity	1,217	2,664
	\$ 3,010	\$3,970

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 LOSS****(In thousands, except share and per share amounts)****(Unaudited)**

	Three Months Ended September 30, 2016 2015		Nine Months Ended September 30, 2016 2015	
Net revenues:				
Product revenues	\$407	\$274	\$1,405	\$1,323
License, royalty and other revenues	68	46	170	110
Total net revenues	475	320	1,575	1,433
Cost of goods sold	159	154	667	626
Gross margin	316	166	908	807
Operating expenses:				
Research and development	241	226	763	582
Depreciation and amortization	60	53	171	159
Selling, general and administrative	652	974	2,234	2,551
Total operating expenses	953	1,253	3,168	3,292
Loss from operations	(637)	(1,087)	(2,260)	(2,485)
Change in fair value of warrant liability	-	2,287	-	2,099
Warranty modification expense	-	(1,761)	-	(1,761)
Interest expense	(65)	(9)	(109)	(30)
Interest income	1	-	4	-
Other income (expense)	(5)	(11)	(12)	24
Net loss	(706)	(581)	(2,377)	(2,153)
Other comprehensive income, foreign currency translation adjustments	1	1	1	-
Total comprehensive loss	\$(705)	\$		