

NEPHROS INC  
Form 3  
October 01, 2007

**FORM 3 UNITED STATES SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

OMB APPROVAL

OMB Number: 3235-0104  
Expires: January 31, 2005  
Estimated average burden hours per response... 0.5

**INITIAL STATEMENT OF BENEFICIAL OWNERSHIP OF SECURITIES**

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934,  
Section 17(a) of the Public Utility Holding Company Act of 1935 or Section  
30(h) of the Investment Company Act of 1940

(Print or Type Responses)

<p>1. Name and Address of Reporting Person *</p> <p>Λ Lambda Investors LLC</p> <p>(Last) (First) (Middle)</p> <p>C/O WEXFORD CAPITAL LLC, Λ 411 WEST PUTNAM AVENUE</p> <p>(Street)</p> <p>GREENWICH, Λ CT Λ 06830</p> <p>(City) (State) (Zip)</p>	<p>2. Date of Event Requiring Statement</p> <p>(Month/Day/Year)</p> <p>09/19/2007</p>	<p>3. Issuer Name and Ticker or Trading Symbol</p> <p>NEPHROS INC [NEP]</p>	<p>4. Relationship of Reporting Person(s) to Issuer</p> <p>(Check all applicable)</p> <p>___ Director ___X_ 10% Owner ___ Officer ___ Other (give title below) (specify below)</p>	<p>5. If Amendment, Date Original Filed(Month/Day/Year)</p>	<p>6. Individual or Joint/Group Filing(Check Applicable Line)</p> <p>_X_ Form filed by One Reporting Person ___ Form filed by More than One Reporting Person</p>
---	---	---	--	---	--

**Table I - Non-Derivative Securities Beneficially Owned**

1. Title of Security (Instr. 4)	2. Amount of Securities Beneficially Owned (Instr. 4)	3. Ownership Form: Direct (D) or Indirect (I) (Instr. 5)	4. Nature of Indirect Beneficial Ownership (Instr. 5)
------------------------------------	--	---	--

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly. SEC 1473 (7-02)

**Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.**

**Table II - Derivative Securities Beneficially Owned (e.g., puts, calls, warrants, options, convertible securities)**

1. Title of Derivative Security (Instr. 4)	2. Date Exercisable and Expiration Date (Month/Day/Year)	3. Title and Amount of Securities Underlying Derivative Security (Instr. 4)	4. Conversion or Exercise Price of Derivative Security	5. Ownership Form of Derivative Security: Direct (D)	6. Nature of Indirect Beneficial Ownership (Instr. 5)
	Date Exercisable      Expiration Date	Title      Amount or Number of			

				Shares		or Indirect (I) (Instr. 5)	
Series A 10% Secured Convertible Note due 2008	Â (1)	Â (2)	Common Stock and Warrants to Purchase Common Stock	21,246,459 (3)	\$ 0.706 (4)	D	Â

## Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
Lambda Investors LLC C/O WEXFORD CAPITAL LLC 411 WEST PUTNAM AVENUE GREENWICH, CT 06830	Â	Â X	Â	Â

## Signatures

Arthur H. Amron, Vice President and Assistant Secretary  
10/01/2007

\_\_Signature of Reporting Person Date

## Explanation of Responses:

- \* If the form is filed by more than one reporting person, see Instruction 5(b)(v).
  - \*\* Intentional misstatements or omissions of facts constitute Federal Criminal Violations. See 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).
- The Note will automatically convert on the twenty-first (21st) day after the issuer sends or gives its stockholders a definitive Schedule
- (1) 14C information statement relating to certain actions taken by stockholders of the issuer by written consent (the "Automatic Conversion Date").
  - (2) The maturity date of the Note is September 19, 2008.
  - (3) The number reported includes 14,164,306 shares of Common Stock and warrants to purchase an additional 7,082,153 shares of Common Stock. The number of shares and warrants reported is based on the original principal amount of the Note (\$10,000,000). The Note accrues interest at a rate of 10% per annum, and the accrued interest will automatically be converted into shares of Common Stock on the Automatic Conversion Date at the same conversion rate as the rate that applies to the original principal amount. The number of warrants issued upon conversion of the Note will increase by 50% of the number of shares of Common Stock issued with respect to the accrued interest.
  - (4) The amount reported represents the conversion price used to determine the number of shares of Common Stock issuable upon the conversion of the Note. The exercise price of the warrants that will be issued upon the conversion of the Note is \$0.90 per share.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, See Instruction 6 for procedure. Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number.