

NEPHROS INC  
Form 10-Q  
May 16, 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: March 31, 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

07661

(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

Edgar Filing: NEPHROS INC - Form 10-Q

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 May 13, 2011, 10,065,117 shares of issuer’s common stock, with \$0.001 par value per share, were outstanding.

---

## Table of Contents

	Page No.
<b>PART I – FINANCIAL INFORMATION</b>	
Item 1. Financial Statements	
Condensed Consolidated Balance Sheets - March 31, 2011 (unaudited) and December 31, 2010 (audited)	1
Condensed Consolidated Statements of Operations - Three months ended March 31, 2011 and 2010 (unaudited)	2
Condensed Consolidated Statements of Cash Flows - Three months ended March 31, 2011 and 2010 (unaudited)	3
Notes to Unaudited Condensed Consolidated Interim Financial Statements	4
Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations	
Item 4. Controls and Procedures	14
<b>PART II – OTHER INFORMATION</b>	
Item 1. Legal Proceedings	14
Item 5. Other Information	14
Item 6. Exhibits	14
<b>SIGNATURES</b>	15

---

## PART I – FINANCIAL INFORMATION

## Item 1. Financial Statements.

## NEPHROS, INC. AND SUBSIDIARY

## CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except share amounts)

	(Unaudited) March 31, 2011	(Audited) December 31, 2010
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 2,247	\$ 240
Accounts receivable	574	326
Inventory, less allowances of \$18	624	726
Prepaid expenses and other current assets	119	190
Total current assets	3,564	1,482
Property and equipment, net	85	108
Total assets	\$ 3,649	\$ 1,590
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Short-term borrowings	\$ -	\$ 500
Accounts payable	651	441
Accrued expenses	199	481
Deferred revenue	17	33
Total current liabilities	867	1,455
Commitments and Contingencies (Note 10)		
Stockholders' equity:		
Preferred stock, \$.001 par value; 5,000,000 shares authorized at March 31, 2011 and December 31, 2010; no shares issued and outstanding at March 31, 2011 and December 31, 2010	-	-
Common stock, \$.001 par value; 90,000,000 authorized at March 31, 2011 and December 31, 2010; 10,065,117 and 2,090,552 shares issued and outstanding at March 31, 2011 and December 31, 2010, respectively.	10	2
Additional paid-in capital	95,330	92,019
Accumulated other comprehensive income	57	22
Accumulated deficit	(92,615 )	(91,908 )
Total stockholders' equity	2,782	135
Total liabilities and stockholders' equity	\$ 3,649	\$ 1,590

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

## NEPHROS, INC. AND SUBSIDIARY

## CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except share and per share amounts)

(Unaudited)

	Three Months Ended March 31	
	2011	2010
Product revenue	\$ 681	\$ 989
Cost of goods sold	482	600
Gross margin	199	389
Operating expenses:		
Research and development	92	73
Depreciation and amortization	24	36
Selling, general and administrative	729	807
Total operating expenses	845	916
Loss from operations	(646 )	(527 )
Interest income	-	1
Interest expense	(12 )	-
Amortization of debt issuance costs	(40 )	-
Other expense	(9 )	(2 )
Net loss	\$ (707 )	\$ (528 )
Net loss per common share, basic and diluted	\$ (0.18 )	\$ (0.25 )
Weighted average common shares outstanding, basic and diluted	3,972,191	2,080,240

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)

	Three Months Ended March	
	31,	
	2011	2010
Operating activities:		
Net loss	\$ (707 )	\$ (528 )
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation of property and equipment	24	36
Deferred revenue	(17 )	—
Noncash stock-based compensation	130	27
Amortization of debt issuance costs	40	—
Noncash interest	12	—
(Increase) decrease in operating assets:		
Accounts receivable	(228 )	(9 )
Inventory	119	