

JACOBS JOSEPH  
Form 4  
March 14, 2011

**FORM 4**

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

OMB APPROVAL

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Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. See Instruction 1(b).

**STATEMENT OF CHANGES IN 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)

1. Name and Address of Reporting Person \*  
Lambda Investors LLC

(Last) (First) (Middle)

411 WEST PURNAM AVENUE, SUITE 125

(Street)

GREENWICH, CT 06830

(City) (State) (Zip)

2. Issuer Name and Ticker or Trading Symbol  
NEPHROS INC [NEP]

3. Date of Earliest Transaction (Month/Day/Year)  
03/10/2011

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

Director  10% Owner  
 Officer (give title below)  Other (specify below)

6. Individual or Joint/Group Filing(Check Applicable Line)  
 Form filed by One Reporting Person  
 Form filed by More than One Reporting Person

**Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned**

1. Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)	4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)	5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price
Common Stock, par value \$0.001 per share	03/10/2011		A		3,009,711 (1) (2)	A	\$ 0 (1) (2)
					3,728,792 (2) (3)	I	
							Held directly by Lambda Investors LLC

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

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

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)	5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)	6. Date Exercisable and Expiration Date (Month/Day/Year)	7. Title and Underlying Security (Instr. 3 and 7)
				Code	V (A) (D)	Date Exercisable Expiration Date	Title
Common Stock Warrants (right to buy)	\$ 0.4 <sup>(1)</sup> / <sub>(2)</sub>	03/10/2011		A	60,194,226 <sub>(1) (2)</sub>	03/10/2011 03/09/2016	Common Stock, par value \$0.001 per share
Class D Common Stock Warrants (right to buy)	\$ 0.4 <sup>(4)</sup> / <sub>(5)</sub>	03/10/2011		D	0 <sub>(4) (5)</sub>	11/14/2007 11/14/2012 <sup>(4)(5)</sup>	Common Stock, par value \$0.001 per share
Class D Common Stock Warrants (right to buy)	\$ 0.4 <sup>(4)</sup> / <sub>(5)</sub>	03/10/2011		D	0 <sub>(4) (5)</sub>	<sup>(4)(5)</sup> 11/14/2012 <sup>(4)(5)</sup>	Common Stock, par value \$0.001 per share
Class D Common Stock Warrants (right to buy)	\$ 0.4 <sup>(4)</sup> / <sub>(5)</sub>	03/10/2011		A	0 <sub>(4) (5)</sub>	<sup>(4)(5)</sup> 03/09/2016 <sup>(4)(5)</sup>	Common Stock, par value \$0.001 per share

## Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
Lambda Investors LLC 411 WEST PURNAM AVENUE SUITE 125 GREENWICH, CT 06830	X	X		
WEXFORD CAPITAL LP 411 WEST PUTNAM AVENUE SUITE 125		X		

GREENWICH, CT 06830

DAVIDSON CHARLES E  
411 WEST PURNAM AVENUE X  
SUITE 125  
GREENWICH, CT 06830

JACOBS JOSEPH  
411 WEST PUTNAM AVENUE X  
SUITE 125  
GREENWICH, CT 06830

Wexford GP LLC  
411 WEST PUTNAM AVENUE X  
SUITE 125  
GREENWICH, CT 06830

## Signatures

/s/ Arthur Amron, Vice President and Assistant Secretary of Lambda Investors LLC 03/14/2011

\_\_Signature of Reporting Person Date

/s/ Arthur Amron, Vice President and Assistant Secretary of Wexford Capital LP 03/14/2011

\_\_Signature of Reporting Person Date

/s/ Charles E. Davidson 03/14/2011

\_\_Signature of Reporting Person Date

/s/ Joseph M. Jacobs 03/14/2011

\_\_Signature of Reporting Person Date

/s/ Arthur Amron, Vice President and Assistant Secretary of Wexford GP LLC 03/14/2011

\_\_Signature of Reporting Person Date

## Explanation of Responses:

\* If the form is filed by more than one reporting person, *see* Instruction 4(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).

(1) On March 10, 2011, Lambda Investors LLC ("Lambda") purchased, pursuant to a purchase agreement (the "Purchase Agreement") with Nephros, Inc. (the "Issuer"), 60,194,226 units ("Units") for a purchase price of \$0.02 per Unit. Each Unit consists of one share of common stock, par value \$0.001 per share ("Common Stock"), of the Issuer and one warrant to purchase 0.924532845 shares of Common Stock at an exercise price of \$0.02 per share until March 9, 2016. As a result of this transaction, Lambda acquired 60,194,226 shares of Common Stock and warrants to purchase 55,651,575 shares of Common Stock.

(2) On March 11, 2011, the Issuer effected a 1-for-20 reverse stock split (the "Reverse Stock Split"). After giving effect to the Reverse Stock Split, the numbers of shares and warrants acquired by Lambda in the transaction described in Footnote 1 were automatically adjusted to 3,009,711 shares of Common Stock and warrants to purchase 2,782,578 shares of Common Stock at an exercise price of \$0.40 per share.

(3) The securities reported on this Form 4 are owned by Lambda. Wexford Capital LP ("Wexford Capital"), as managing member of Lambda, and Wexford GP LLC ("Wexford GP"), as general partner of Wexford Capital, may be deemed to beneficially own the reported securities. Charles E. Davidson ("Davidson"), the Chairman and a managing member of Wexford GP, and Joseph M. Jacobs ("Jacobs"), the President and a managing member of Wexford GP, may also be deemed to beneficially own the reported securities. Each of Wexford Capital, Wexford GP, Davidson and Jacobs disclaims beneficial ownership of the reported securities, and this report shall not be deemed to be an admission that any of Wexford Capital, Wexford GP, Davidson or Jacobs is the beneficial owner of the reported securities except in the case of Davidson and Jacobs to the extent of their respective interests in each member of Lambda.

(4)

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On March 10, 2011, the Issuer completed a rights offering to its existing stockholders except Lambda which triggered the full-ratchet anti-dilution provisions of the Class D warrants ("Class D Warrants") to purchase Common Stock. As a result, the 7,190,811 Class D Warrants held by Lambda became exercisable for 323,586,495 shares of Common Stock at an exercise price of \$0.02 per share. In connection with the rights offering and the Purchase Agreement, Lambda surrendered for cancellation Class D Warrants to purchase 147,454,988 shares of Common Stock (or 7,372,749 shares after giving effect to the Reverse Stock Split). After giving effect to the Reverse Stock Split and the anti-dilution provisions, Lambda's remaining Class D Warrants are exercisable for 8,806,575 shares of Common Stock at an exercise price of \$0.40 per share.

- (5) In connection with the transactions described in Footnotes 1 and 4, the terms of the remaining Class D Warrants held by Lambda to purchase 8,806,575 shares of Common Stock (after giving effect to the Reverse Stock Split) were amended so that such remaining Class D Warrants expire on March 9, 2016, which is the same expiration date as the warrants issued in the rights offering and under the Purchase Agreement.

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.