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Â Â Â UNITEDSTATESSECURITIESAND EXCHANGE COMMISSIONWASHINGTOND.C. 20549Â FORM10-QÂ (MarkOne)Â â˜’QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934Â Forthe quarterly period ended: June 30, 2024Â ORÂ â˜TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934Â Forthe transition period from: _____ to _____Â CommissionFile Number: 001-32288Â NEPHROS,INC.(Exactname of registrant as specified in its charter)Â delaware Â 13-3971809 (State or other jurisdiction of incorporation or organization) Â (I.R.S. Employer Identification No.) Â Â Â 380 Lackawanna Place South Orange, NJ Â 07079 (Address of principal executive offices) Â (Zip Code) Â (201)343-5202Registrantâ€™stelephone number, including area codeÂ N/A(Formername, former address and former fiscal year, if changed since last report)Â Securitiesregistered pursuant to Section 12(b) of the Act:Â Title of each class Â Trading symbol Â Name of exchange on which registered Common stock, par value $0.001 per share Â NEPH Â The Nasdaq Stock Market LLC Â Indicateby check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities ExchangeAct 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. â˜’ YES â˜ NOÂ Indicateby check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule405 of Regulation S-T (Â§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrantwas required to submit such files). â˜’ YES â˜ NOÂ Indicateby check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reportingcompany, or an emerging growth company. See the definitions of â€œlarge accelerated filerâ€, â€œaccelerated filer,â€â€œsmaller reporting company,â€ and â€œemerging growth companyâ€ in Rule 12b-2 of the Exchange Act.:Â Large accelerated filer â˜ Accelerated filer â˜ Non-accelerated filer â˜’ Smaller reporting company â˜’ Â Emerging growth company â˜ Â If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complyingwith any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. â˜Â Indicateby check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). â˜ YES â˜’ NOÂ Asof August 5, 2024, 10,544,139 shares of the registrantâ€™s common stock, $0.001 par value per share, were outstanding.Â Â Â Â Â Â NEPHROS,INC. AND SUBSIDIARIESÂ TABLEOF CONTENTSÂ PART I - FINANCIAL INFORMATION 3 Â Â Item 1. Financial Statements

(unaudited). 3 Â Â CONDENSED CONSOLIDATED BALANCE SHEETS â€“ June 30, 2024 and December 31, 2023 3 Â Â CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS â€“ Three and six months ended June 30, 2024 and 2023 4 Â Â CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERSâ€™ EQUITY â€“ Three and six months ended June 30, 2024 and 2023 5 Â Â CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS â€“ Six months ended June 30, 2024 and 2023 6 Â Â NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS 7 Â Â Item 2. Managementâ€™s Discussion and Analysis of Financial Condition and Results of Operations. 17 Â Â Item 3. Quantitative and Qualitative Disclosures About Market Risk. 25 Â Â Item 4. Controls and Procedures. 25 Â Â PART II - OTHER INFORMATION 25 Â Â Item 1A. Risk Factors 25 Â Â Item 5. Other Information 25 Â Â Item 6. Exhibits 26 Â Â SIGNATURES 27 Â 2 Â Â PARTI - FINANCIAL INFORMATIONÂ Item1. Financial Statements.Â NEPHROS,INC. AND SUBSIDIARIESCONDENSEDCONSOLIDATED BALANCE SHEETS(Inthousands, except share and per share amounts) (Unaudited)Â Â Â June 30, 2024Â Â December 31, 2023Â ASSETSÂ Â Â Â Â Â Â Â Current assets:Â Â Â Â Â Â Â Â Cash and cash equivalentsÂ $3,080Â Â $4,307Â Accounts receivable, netÂ Â 1,878Â Â Â 1,496Â InventoryÂ Â 2,803Â Â Â 2,470Â Prepaid expenses and other current assetsÂ Â 165Â Â Â 132Â Total current assetsÂ Â 7,926Â Â Â 8,405Â Property and equipment, netÂ Â 186Â Â Â 152Â Lease right-of-use assetsÂ Â 1,551Â Â Â 1,807Â Intangible assets, netÂ Â 365Â Â Â 381Â GoodwillÂ Â 759Â Â Â 759Â License and supply agreement, netÂ Â 243Â Â Â 271Â Other assetsÂ Â 70Â Â Â 86Â TOTAL ASSETSÂ $11,100Â Â $11,861Â Â Â Â Â Â Â Â Â Â LIABILITIES AND STOCKHOLDERSâ€™ EQUITYÂ Â Â Â Â Â Â Â Current liabilities:Â Â Â Â Â Â Â Â Accounts payableÂ $1,159Â Â $873Â Accrued expensesÂ Â 435Â Â Â 794Â Current portion of lease liabilitiesÂ Â 358Â Â Â 446Â Total current liabilitiesÂ Â 1,952Â Â Â 2,113Â Lease liabilities, net of current portionÂ Â 1,222Â Â Â 1,390Â TOTAL LIABILITIESÂ Â 3,174Â Â Â 3,503Â Â Â Â Â Â Â Â Â Â COMMITMENTS AND CONTINGENCIES (Note 13)Â Â -Â Â Â -Â Â Â Â Â Â Â Â Â Â STOCKHOLDERSâ€™ EQUITYÂ Â Â Â Â Â Â Â Â Â Â Â Â Â Â Preferred stock, $.001 par value; 5,000,000 shares authorized at June 30, 2024 and December 31, 2023; no shares issued and outstanding at June 30, 2024 and December 31, 2023.Â Â -Â Â Â -Â Common stock, $.001 par value; 40,000,000 shares authorized at June 30, 2024 and December 31, 2023; 10,544,139 and 10,543,675 shares issued and outstanding at June 30, 2024 and December 31, 2023, respectively.Â Â 11Â Â Â 10Â Additional paid-in capitalÂ Â 152,779Â Â Â 152,754Â Accumulated deficitÂ Â (144,864)Â Â (144,406) TOTAL STOCKHOLDERSâ€™ EQUITYÂ Â 7,926Â Â Â 8,358Â TOTAL LIABILITIES AND STOCKHOLDERSâ€™ EQUITYÂ $11,100Â Â $11,861Â Â Theaccompanying notes are an integral part of these unaudited condensed consolidated interim financial statements.Â 3 Â Â NEPHROS,INC. AND SUBSIDIARIESCONDENSEDCONSOLIDATED STATEMENTS OF OPERATIONS (Inthousands, except share and per share amounts)(Unaudited)Â Â Â 2024Â Â 2023Â Â 2024Â Â 2023Â Â Â Three Months Ended June 30,Â Â Six Months Ended June 30,Â Â Â 2024Â Â 2023Â Â 2024Â Â 2023Â Net revenue:Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Product revenuesÂ $3,208Â Â $3,537Â Â $6,714Â Â $7,199Â Royalty and other revenuesÂ Â 44Â Â Â 8Â Â Â 60Â Â Â 43Â Total net revenuesÂ Â 3,252Â Â Â 3,545Â Â Â 6,774Â Â Â 7,242Â Cost of goods soldÂ Â 1,340Â Â Â 1,466Â Â Â 2,675Â Â Â 3,052Â Gross marginÂ Â 1,912Â Â Â 2,079Â Â Â 4,099Â Â Â 4,190Â Operating expenses:Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Selling, general and administrativeÂ Â 1,941Â Â Â 2,239Â Â Â 4,083Â Â Â 4,363Â Research and developmentÂ Â 254Â Â Â 221Â Â Â 466Â Â Â 460Â Depreciation and amortizationÂ Â 34Â Â Â 54Â Â Â 67Â Â Â 108Â Total operating expensesÂ Â 2,229Â Â Â 2,514Â Â Â 4,616Â Â Â 4,931Â Operating lossÂ Â (317)Â Â (435)Â Â (517)Â Â (741) Other (expense) income:Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Interest expenseÂ Â -Â Â Â -Â Â Â (1)Â Â (1) Interest incomeÂ Â 21Â Â Â 13Â Â Â 46Â Â Â 25Â Other income (expense), netÂ Â 7Â Â Â (11)Â Â 14Â Â Â (22) Total other expense:Â Â 28Â Â Â 2Â Â Â 59Â Â Â 2Â Net lossÂ Â (289)Â Â (433)Â Â (458)Â Â (739) Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Net loss per common share, basic and dilutedÂ $(0.03)Â $(0.04)Â $(0.04)Â $(0.07) Weighted average common shares outstanding, basic and dilutedÂ Â 10,509,937Â Â Â 10,297,429Â Â Â 10,505,833Â Â Â 10,297,429Â Â Theaccompanying notes are an integral part of these unaudited condensed consolidated interim financial statements.Â 4 Â Â NEPHROS,INC. AND SUBSIDIARIESCONDENSEDCONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERSâ€™ EQUITY(Inthousands, except share amounts)(Unaudited)Â Â Â SharesÂ Â AmountÂ Â CapitalÂ Â DeficitÂ Â SubtotalÂ Â InterestÂ Â EquityÂ Â Â Three and six months ended June 30, 2024Â Â Â Â Â Â Â Common StockÂ Â Additional Paid-inÂ Â AccumulatedÂ Â Â Â Â NoncontrollingÂ Â Total Stockholdersâ€™Â Â Â SharesÂ Â AmountÂ Â CapitalÂ Â DeficitÂ Â SubtotalÂ Â InterestÂ Â EquityÂ Balance, December 31, 2023Â Â 10,501,508Â Â $10Â Â $152,754Â Â $(144,406)Â $8,358Â Â $Â -Â Â $8,358Â Net lossÂ Â -Â Â Â -Â Â Â -Â Â Â Â (169)Â Â (169)Â Â -Â Â Â (169) Stock option exercisesÂ Â 464Â Â Â -Â Â Â -Â Â Â Â -Â Â Â -Â Â Â -Â Â Â -Â Stock-based compensationÂ Â -Â Â Â -Â Â Â (9) Â Â -Â Â Â (9)Â Â -Â Â Â (9) Balance, March 31, 2024Â Â 10,501,972Â Â $10Â Â $152,745Â Â $(144,575)Â $8,180Â Â $-Â Â $8,180Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Net lossÂ Â -Â Â $-Â Â $-Â Â $(289)Â $(289)Â $-Â Â $(289) Stock-based compensationÂ Â -Â Â Â -Â Â Â 35Â Â Â Â -Â Â Â 35Â Â Â -Â Â Â 35Â Restricted stock vestingÂ Â 42,167Â Â Â 1Â Â Â (1) Â Â -Â Â Â -Â Â Â -Â Â Â -Â Balance, June 30, 2024Â Â 10,544,139Â Â $11Â Â $152,779Â Â $(144,864)Â $7,926Â Â $-Â Â $7,926Â Â Â Â Three and six months ended June 30, 2023Â Â Â Â Â Â Â Common StockÂ Â Additional Paid-inÂ Â AccumulatedÂ Â Â Â Â NoncontrollingÂ Â Total Stockholdersâ€™Â Â Â SharesÂ Â AmountÂ Â CapitalÂ Â DeficitÂ Â SubtotalÂ Â InterestÂ Â EquityÂ Balance, December 31, 2022Â Â 10,297,429Â Â $10Â Â $148,413Â Â $(142,831)Â $5,592Â Â $3,289Â Â $8,881Â Net lossÂ Â -Â Â Â -Â Â Â -Â Â Â Â (306)Â Â (306)Â Â -Â Â Â (306) Change in non-controlling interestÂ Â -Â Â Â -Â Â Â 3,262Â Â Â Â -Â Â Â 3,262Â Â Â (3,262)Â Â -Â Stock-based compensationÂ Â -Â Â Â -Â Â Â 346Â Â Â Â -Â Â Â 346Â Â Â (27)Â Â 319Â Balance, March 31, 2023Â Â 10,297,429Â Â $10Â Â $152,021Â Â $(143,137)Â $8,894Â Â $-Â Â $8,894Â BalanceÂ Â 10,297,429Â Â $10Â Â $152,021Â Â $(143,137)Â $8,894Â Â $-Â Â $8,894Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Net lossÂ Â -Â Â $-Â Â $-Â Â $(433)Â $(433)Â $-Â Â $(433) Stock-based compensationÂ Â -Â Â Â -Â Â Â 194Â Â Â Â -Â Â Â 194Â Â Â -Â Â Â 194Â Balance, June 30, 2023Â Â 10,297,429Â Â $10Â Â $152,215Â Â $(143,570)Â $8,655Â Â $-Â Â $8,655Â BalanceÂ Â 10,297,429Â Â $10Â Â $152,215Â Â $(143,570)Â $8,655Â Â $-Â Â $8,655Â Â Theaccompanying notes are an integral part of these unaudited condensed consolidated interim financial statements.Â 5 Â Â NEPHROS,INC. AND SUBSIDIARIESCONDENSEDCONSOLIDATED STATEMENTS OF CASH FLOWS(Inthousands)(Unaudited)Â Â Â 2024Â Â 2023Â Â Â Six Months Ended June 30,Â Â Â 2024Â Â 2023Â OPERATING ACTIVITIES:Â Â Â Â Â Â Â Â Â Net lossÂ $(458)Â $(739) Adjustments to reconcile net loss to net cash provided by (used in) operating activities:Â Â Â Â Â Â Â Â Â Depreciation of property and equipmentÂ Â 22Â Â Â 19Â Amortization of intangible assets, license and supply agreement and finance lease right-of-use assetÂ Â 47Â Â Â 88Â Stock-based compensationÂ Â 26Â Â Â 513Â Inventory impairments and writeoffsÂ Â 180Â Â Â 106Â Gain on foreign currency transactionsÂ Â (5)Â Â -Â Gain on disposal of equipmentÂ Â (5)Â Â -Â

Decrease (increase) in operating assets:Â Â Â Â Â Â Â Â Accounts receivableÂ Â (382)Â Â (290) InventoryÂ Â (513)Â Â 920Â Prepaid expenses and other current assetsÂ Â (33)Â Â 35Â Right-of-use assetsÂ Â 252Â Â Â 160Â Other assetsÂ Â 17Â Â Â 2Â (Decrease) increase in operating liabilities:Â Â Â Â Â Â Â Â Accounts payableÂ Â 289Â Â Â (437) Accrued expensesÂ Â (358)Â Â 285Â Lease liabilitiesÂ Â (252)Â Â (160) Net cash (used in) provided by operating activitiesÂ Â (1,173)Â Â 502Â INVESTING ACTIVITIES:Â Â Â Â Â Â Â Â Proceeds from sale of equipmentÂ Â 5Â Â Â -Â Purchase of property and equipmentÂ Â (55)Â Â -Â Net cash used in investing activitiesÂ Â (50)Â Â -Â FINANCING ACTIVITIES:Â Â Â Â Â Â Â Â Principal payments on finance lease liabilityÂ Â (4)Â Â (4) Principal payments on equipment financingÂ Â -Â Â Â (1) Payments on secured note payableÂ Â -Â Â Â (71) Net cash (used in) financing activitiesÂ Â (4)Â Â (76) Net (decrease) increase in cash and cash equivalentsÂ Â (1,227)Â Â 426Â Cash and cash equivalents, beginning of periodÂ Â 4,307Â Â Â 3,634Â Cash and cash equivalents, end of periodÂ $3,080Â Â $4,060Â Supplemental disclosure of cash flow informationÂ Â Â Â Â Â Â Â Cash paid for interestÂ $1Â Â $2Â Â Theaccompanying notes are an integral part of these unaudited condensed consolidated interim financial statementÂ 6 Â Â NEPHROS,INC. AND SUBSIDIARIESÂ NOTESTO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (unaudited)Â Note1 â€“ Organization and Nature of OperationsÂ Nephros,Inc. (â€œNephrosâ€ or the â€œCompanyâ€) was incorporated under the laws of the State of Delaware on April 3, 1997.The Company was founded by health professionals, scientists and engineers affiliated with Columbia University to develop advanced endstage renal disease (â€œESRDâ€) therapy technology and products.Â Beginningin 2009, Nephros introduced high performance liquid purification filters to meet the demand for water purification in certain medicalmarkets. The Companyâ€™s filters, generally classified as ultrafilters, are primarily used in hospitals for the prevention of infectionfrom waterborne pathogens, such as legionella and pseudomonas, and in dialysis centers for the removal of biological contaminants fromwater and bicarbonate concentrate. The Company also develops and sells water filtration products for commercial applications, focusingon the hospitality and food service markets.Â InJuly 2018, the Company formed a subsidiary, Specialty Renal Products, Inc. (â€œSRPâ€), to drive the development of its second-generationhemodiafiltration system and other products focused on improving therapies for patients with renal disease. After SRPâ€™s formation,the Company assigned to SRP all of the Companyâ€™s rights to three patents relating to the Companyâ€™s hemodiafiltration technology,which were carried at zero book value. On March 9, 2023, the SRP Stockholders approved a plan of dissolution to wind down SRPâ€™soperations, liquidate SRPâ€™s remaining assets and dissolve SRP, and SRP filed a certificate of dissolution with the State of Delawareon April 13, 2023. As a result of the SRP Stockholdersâ€™ approval of the plan of dissolution and provisions therein and after satisfyingall of SRPâ€™s liabilities, there are no assets available for distribution to the holders of any of SRPâ€™s capital stock, includingits Series A Preferred Stock. As such, the value recorded to non-controlling interest was written to zero and the impact reclassifiedto the Companyâ€™s additional paid-in capital as the Company retained control of SRP.Â TheCompanyâ€™s primary U.S. facility is located at 380 Lackawanna Place, South Orange, New Jersey 07079. This location along with ourWhippany, NJ facility, houses the Companyâ€™s corporate headquarters, research, manufacturing, and distribution facilities.Â Note2 â€“ Basis of Presentation and LiquidityÂ InterimFinancial InformationÂ Theaccompanying unaudited condensed consolidated interim financial statements have been prepared in accordance with generally accepted accountingprinciples (â€œGAAPâ€) for interim financial information and with the instructions to Form 10-Q and Article 8 and Article 10of Regulation S-X. The condensed consolidated balance sheet as of December 31, 2023 was derived from the Companyâ€™s audited financialstatements. Accordingly, they do not include all of the information and footnotes required by GAAP for annual financial statements. Resultsas of and for the six months ended June 30, 2024 are not necessarily indicative of the results that may be expected for the year endingDecember 31, 2024.Â Thecondensed consolidated interim financial statements and notes thereto should be read in conjunction with the consolidated financial statementsand notes included in the Companyâ€™s Annual Report on Form 10-K for the year ended December 31, 2023.Â SegmentReportingÂ TheCompany operates in only one business segment from which the Companyâ€™s chief operating decision maker evaluates the financial performanceof the Company.Â ConsolidationÂ Theaccompanying condensed consolidated financial statements include the accounts of Nephros, Inc. and its subsidiary, SRP, which was dissolvedpursuant to a plan of dissolution adopted by its stockholders on March 9, 2023, and the subsequent filing of a certificate of dissolutionwith the State of Delaware on April 13, 2023. All intercompany accounts and transactions were eliminated in the preparation of the accompanyingcondensed consolidated financial statements.Â 7 Â Â Useof EstimatesÂ Thepreparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affectthe reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, at the date of the financial statements,and the reported amount of revenues and expenses, during the reporting period. Actual results could differ materially from those estimates.Included in these estimates are assumptions about the collection of accounts receivable, value of inventories, useful life of fixed assetsand intangible assets, the assessment of expected cash flows used in evaluating goodwill and other long-lived assets, the assessmentof the ability to continue as a going concern and assumptions used in determining stock compensation such as expected volatility andrisk-free interest rate.Â LiquidityÂ Inconnection with SRPâ€™s plan of dissolution and pursuant to an agreement between the Company and SRP entered into on May 24, 2023,SRP assigned substantially all of its remaining assets to the Company in satisfaction of the entire loan balance. See â€œNote 11â€“ Stockholdersâ€™ Equity â€“ Noncontrolling Interestâ€ Accordingly, as of June 30, 2024, there was no outstandingbalance of this loan.Â TheCompany has sustained operating losses every quarter through June 30, 2024, generating an accumulated deficit of $144.9 million as ofJune 30, 2024. However, in 2023, the Companyâ€™s operating cash flow was positive due to increased sales, improved gross margins,careful expense management, a reduction in inventory, and the dispositions of the Pathogen Detection Systems and SRP businesses. Theseactions resulted in the Company generating cash from operations of approximately $0.8 million for the twelve months ended December 31,2023. Conversely, net cash from operations was negative for the six months ended June 30, 2024 due to an operating loss, payment of prioryear annual bonuses, and an increase in inventory and accounts receivable. The Company continues to focus on growth in sales and managingtight expenses with the goal of turning cash flow positive from operations. The investment in inventory in the first quarter of 2024 was preparingfor higher volumes of key products in the future. The Company believes that the tight focus on operations and its current cash balancesare sufficient to fund its current operating plan through at least the next 12 months from the date of issuance of the accompanying condensedconsolidated financial statements. However, in the event that the Companyâ€™s operating results do not meet its expectations, theCompany may need to further reduce discretionary expenditures such as headcount, R&D projects, and other variable costs.Â RecentAccounting Pronouncements, Not Yet EffectiveÂ InMarch 2024, the FASB issued ASU 2024-01, â€œASC 718-Scope Application of Profits Interest and Similar Awards,â€ which providesguidance

to assist entities in determining whether profits interest and similar awards should be accounted for in accordance with Topic718, Compensationâ€"Stock Compensation. The guidance is effective for the Companyâ€™s fiscal year 2025, including interim periods.Early adoption is permitted. The Company is assessing the impact of adopting this guidance on its condensed consolidated financial statements.Â InDecember 2023, the FASB issued ASU 2023-09, â€œImprovements to Income Tax Disclosures,â€ which enhances the transparency anddecision usefulness of income tax disclosures. The guidance is effective for the Companyâ€™s annual reporting period ending December31, 2025. Early adoption is permitted. The Company is assessing the impact of adopting this guidance on its condensed consolidated financialstatements.Â In November 2023, the FASB issued ASU 2023-07, â€œImprovements to ReportableSegment Disclosures,â€ which improves reportable segment disclosure requirements, primarily through enhanced disclosures about significantsegment expenses. The guidance is effective for the Company beginning in the annual reporting period ending December 31, 2024 and interimperiods beginning in fiscal year 2025. Early adoption is permitted. The Company is assessing the impact of adopting this guidance on itsconsolidated financial statements.Â Concentrationof Credit RiskÂ TheCompany deposits its cash in financial institutions. At times, such deposits may be in excess of insured limits. To date, the Companyhas not experienced any impairment losses on its cash. The Company also limits its credit risk with respect to accounts receivable byperforming credit evaluations when deemed necessary.Â MajorCustomersÂ Forthe three months ended June 30, 2024, and 2023, the following customers accounted for the following percentages of the Companyâ€™srevenues, respectively:Â Schedule of Revenues and Accounts Receivable Percentage of Major Customers CustomerÂ 2024Â Â 2023Â AÂ Â 22%Â Â 18% BÂ Â 8%Â Â 11% DÂ Â 3%Â Â 11% TotalÂ Â 33%Â Â 40% Â 8 Â Â Forthe six months ended June 30, 2024, and 2023, the following customers accounted for the following percentages of the Companyâ€™srevenues, respectively:Â CustomerÂ 2024Â Â 2023Â AÂ Â 27%Â Â 19% BÂ Â 7%Â Â 10% CÂ Â 2%Â Â 13% TotalÂ Â 36%Â Â 42% Â Asof June 30, 2024, and December 31, 2023, the following customers accounted for the following percentages of the Companyâ€™s accountsreceivable, respectively:Â CustomerÂ 2024Â Â 2023Â AÂ Â 16%Â Â 12% EÂ Â 12%Â Â -Â TotalÂ Â 28%Â Â 12% Â AccountsReceivableÂ TheCompany recognizes an allowance that reflects a current estimate of credit losses expected to be incurred over the life of a financialasset, including trade receivables. The Company continuously monitors collections and payments from its customers and maintains a provisionfor estimated credit losses. The Company determines its allowance for doubtful accounts by considering a number of factors, includingthe length of time balances are past due, the Companyâ€™s previous loss history, the customerâ€™s current ability to pay itsobligations to the Company and the expected condition of the general economy and the industry as a whole. The Company writes off accountsreceivable when they are determined to be uncollectible. The allowance for credit losses was approximately $11,000 as of each of theperiods ended June 30, 2024, and December 31, 2023.Â Note3 â€" Revenue RecognitionÂ TheCompany recognizes revenue related to product sales when product is shipped via external logistics providers and the other criteria ofASC 606 are met. Product revenue is recorded net of returns and allowances. There was no allowance for sales returns for the three andsix months ended June 30, 2024, or 2023. In addition to product revenue, the Company recognizes revenue related to services to customers,royalties, and other agreements in accordance with the five-step model in ASC 606. Other revenues recognized for the three and six monthsended June 30, 2024, were approximately $44,000 and $60,000, respectively. Other revenues recognized for the three and six months endedJune 30, 2023 were approximately $8,000 and $43,000, respectively.Â Note4 â€" Fair Value MeasurementsÂ TheCompany measures certain financial instruments and other items at fair value.Â Todetermine the fair value, the Company uses the fair value hierarchy for inputs used in measuring fair value that maximizes the use ofobservable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observableinputs are inputs market participants would use to value an asset or liability and are developed based on market data obtained from independentsources. Unobservable inputs are inputs based on assumptions about the factors market participants would use to value an asset or liability.Â Tomeasure fair value, the Company uses the following fair value hierarchy based on three levels of inputs, of which the first two are consideredobservable and the last unobservable:Â Level1 â€" Quoted prices in active markets for identical assets or liabilities.Â 9 Â Â Level2 â€" Inputs other than Level 1 that are observable for the asset or liability, either directly or indirectly, such as quotedprices for similar assets and liabilities in active markets; quoted prices for identical or similar assets or liabilities in marketsthat are not active; or other inputs that are observable or can be corroborated by observable market data by correlation or other means.Â Level3 â€" Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of theassets or liabilities. Value is determined using pricing models, discounted cash flow methodologies, or similar techniques and also includesinstruments for which the determination of fair value requires significant judgment or estimation.Â Assetsand Liabilities Measured at Fair Value on a Recurring BasisÂ TheCompany evaluates its financial assets and liabilities subject to fair value measurements on a recurring basis to determine the appropriatelevel of classification for each reporting period.Â AtJune 30, 2024 the Companyâ€™s cash equivalents consisted of money market funds. At December 31,2023 the Companyâ€™s cash equivalentsconsisted of money market funds and a certificate of deposit. The Company values its cash equivalents using observable inputs that reflectquoted prices for securities with identical characteristics and classify the valuation techniques that use these inputs as Level 1.Â AtJune 30, 2024 and December 31, 2023, the fair value measurements of the Companyâ€™s assets and liabilities measured on a recurringbasis were as follows:Â Scheduleof Assets and Liabilities Measured at Fair Value on Recurring Basis (in thousands)Â Quoted Prices in Active Markets for Identical Assets (Level 1)Â Â Significant Other Observable Inputs (Level 2)Â Â Significant Unobservable Inputs (Level 3)Â Â Â Â Â June 30, 2024Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â Â CashÂ $1,403Â Â $-Â Â $-Â Money market fundsÂ Â 1,677Â Â Â -Â Â Â -Â Â Â Â -Â Â Â Â Â Â Â Â Â Cash and cash equivalentsÂ $3,080Â Â $-Â Â $-Â Â Â Â Â Â Â Â Â Â Â Â Â Â December 31, 2023Â Â Â Â Â Â Â Â Â Â Â Â CashÂ $274Â Â $-Â Â $-Â Money market fundsÂ Â 2,515Â Â Â -Â Â Â -Â Certificate of depositÂ Â 1,518Â Â Â -Â Â Â -Â Cash and cash equivalentsÂ $4,307Â Â $-Â Â $-Â Â Assetsand Liabilities Not Measured at Fair Value on a Recurring BasisÂ Thecarrying amounts of accounts receivable, accounts payable and accrued expenses approximate fair value due to their short-term nature.Â Thecarrying amounts of the lease liabilities and equipment financing approximate fair value as of June 30, 2024 and December 31, 2023 becausethose financial instruments bear interest at rates that approximate current market rates for similar agreements with similar maturitiesand quality.Â 10 Â Â Note5 â€" InventoryÂ Inventoryis stated at the lower of cost or net realizable value using the first-in, first-out method and consists of raw materials and finishedgoods. The Companyâ€™s inventory components as of June 30, 2024 and December 31, 2023, were as follows:Â Scheduleof Inventory, Net Â Â June 30, 2024Â Â December 31, 2023Â Â Â (in thousands)Â Finished goodsÂ $2,413Â Â $2,144Â Raw materialsÂ Â 390Â Â Â 326Â Total inventoryÂ $2,803Â Â $2,470Â Â Note6 â€"

Intangible Assets and Goodwill Â IntangibleAssets Â Intangibleassets as of June 30, 2024 and December 31, 2023 are set forth in the table below. Gross carrying values and accumulated amortizationof the Companyâ€™s intangible assets by type are as follows:Â Scheduleof Intangible Assets Â Â June 30, 2024Â Â December 31, 2023Â Â Â CostÂ Â Accumulated AmortizationÂ Â NetÂ Â CostÂ Â Accumulated AmortizationÂ Â NetÂ Â Â (in thousands)Â Customer relationshipsÂ $540Â Â Â (175)Â $365Â Â $540Â Â Â (159)Â Â 381Â Total intangible assetsÂ $540Â Â $(175)Â $365Â Â $540Â Â $(159)Â $381Â Â TheCompany recognized amortization expense of approximately $8,000 and $11,000 for the three months ended June 30, 2024 and June 30, 2023,respectively. All were recognized in selling, general and administrative expenses on the accompanying condensed consolidated statementof operations.Â Asof June 30, 2024, future amortization expense for each of the next five years is (in thousands):Â Scheduleof Future Amortization Expense Fiscal YearsÂ Â Â 2024 (excluding the six months ended June 30, 2024)Â $16Â 2025Â Â 32Â 2026Â Â 32Â 2027Â Â 32Â 2028Â Â 32Â 2029Â Â 32Â Â GoodwillÂ Goodwillhas a carrying value on the Companyâ€™s condensed consolidated balance sheets of approximately $0.8 million at June 30, 2024 andDecember 31, 2023.Â Note7 â€“ License and Supply Agreement, netÂ OnApril 23, 2012, the Company entered into a License and Supply Agreement (as thereafter amended, the â€œLicense and Supply Agreementâ€)with Medica S.p.A. (â€œMedicaâ€), an Italy-based medical product manufacturing company, for the marketing and sale of certainfiltration products based upon Medicaâ€™s proprietary Medisulfone ultrafiltration technology in conjunction with the Companyâ€™sfiltration products, and for an exclusive supply arrangement for the filtration products. Under the License and Supply Agreement, Medicagranted to the Company an exclusive license, with right of sublicense, to market, promote, distribute, offer for sale and sell the filtrationproducts worldwide, with certain limitations on territory, during the term of the License and Supply Agreement. In addition, the Companygranted to Medica an exclusive license under the Companyâ€™s intellectual property to make the filtration products during the termof the License and Supply Agreement. The filtration products covered under the License and Supply Agreement includes both certain productsbased on Medicaâ€™s proprietary Versatile microfiber technology and certain filtration products based on Medicaâ€™s proprietaryMedisulfone ultrafiltration technology. In December 2023, the Company signed a new agreement with Medica which extends the term untilDecember 31, 2028, unless earlier terminated by either party in accordance with the terms of the License and Supply Agreement.Â 11 Â Â Inexchange for the license, the gross value of the intangible asset capitalized was $2.3 million. License and Supply Agreement, net, onthe condensed consolidated balance sheet is $0.2 million and $0.3 million as of June 30, 2024 and December 31, 2023, respectively. Accumulatedamortization is $2.0 and $1.9 million as of June 30, 2024 and December 31, 2023, respectively. The intangible asset is being amortizedas an expense over the life of the License and Supply Agreement. Amortization expense of approximately $14,000 and $33,000 was recognizedin each of the three months ended June 30, 2024 and 2023, respectively on the condensed consolidated statement of operations.Â Asof December 11, 2023, the Company has agreed with Medica to pay interest per month at the EURIBOR 360-day rate plus 500 basis pointscalculated on the principal amount of any outstanding invoices that are overdue by more than 15 days beyond the original payment terms.There was no interest recognized for the six months ended June 30, 2024 or June 30, 2023.Â Inaddition, for the period beginning April 23, 2014 through December 31, 2023, the Company paid Medica a royalty rate of 3% of net salesof the filtration products sold, subject to reduction as a result of a supply interruption pursuant to the terms of the License and SupplyAgreement. Approximately $95,000 for the three months ended June 30, 2023 was recognized as royalty expense and is included in cost ofgoods sold on the condensed consolidated statement of operations. Approximately $191,000 for the six months endedJune 30, 2023 was recognized as royalty expense and is included in cost of goods sold on the condensed consolidated statement of operations. Approximately $95,000 of this royalty expense was included in accounts payable as of June 30, 2023. Startingin 2024, the Company is no longer required to pay Medica royalties.Â Note8 â€“ Secured Note PayableÂ OnMarch 27, 2018, the Company entered into a Secured Promissory Note Agreement (the â€œSecured Noteâ€) with Tech Capital for aprincipal amount of $1.2 million. As of June 30, 2023, the principal balance of the Secured Note was paid off.Â TheSecured Note had a maturity date of April 1, 2023. The unpaid principal balance accrued interest at a rate of 8% per annum. Principaland interest payments were due on the first day of each month commencing on May 1, 2018. The Secured Note was subject to terms and conditionsof and was secured by security interests granted by the Company in favor of Tech Capital under the Loan and Security Agreement enteredinto on August 17, 2017 and subsequently amended on December 20, 2019 (the â€œLoan Agreementâ€). An event of default under suchLoan Agreement was an event of default under the Secured Note and vice versa.Â Duringthe three months ended June 30, 2023, no payments were made under the Secured Note, as the Note was repaid in full at March 31, 2023.Â Duringthe six months ended June 30, 2023, the Company made payments under the Secured Note of approximately $71,000. Included in the totalpayments made, approximately $1,000 was recognized as interest expense on the condensed consolidated statements of operations for the six months ended June 30, 2023.Â Note9 â€“ LeasesÂ TheCompany has operating leases for corporate offices and office equipment. The leases have remaining lease terms of 1 year to 5 years.Â Leasecost, as presented below, includes costs associated with leases for which right-of-use (â€œROUâ€) assets have been recognizedas well as short-term leases.Â 12 Â Â Thecomponents of total lease costs were as follows:Â Schedule of Components of Lease Cost Â Â Three months ended June 30, 2024Â Â Three months ended June 30, 2023Â Â Â (in thousands)Â Operating lease costÂ $127Â Â $90Â Finance lease cost:Â Â Â Â Â Â Â Â Amortization of right-of-use assetsÂ Â 2Â Â Â 2Â Interest on lease liabilitiesÂ Â 1Â Â Â 1Â Total finance lease costÂ Â 3Â Â Â 3Â Variable lease costÂ Â 14Â Â Â 3Â Total lease costÂ $144Â Â $96Â Â Â Â Six months ended June 30, 2024Â Â Six months ended June 30, 2023Â Â Â (in thousands)Â Operating lease costÂ $252Â Â $182Â Finance lease cost:Â Â Â Â Â Â Â Â Amortization of right-of-use assetsÂ Â 4Â Â Â 4Â Interest on lease liabilitiesÂ Â 2Â Â Â 2Â Total finance lease costÂ Â 6Â Â Â 6Â Variable lease costÂ Â 25Â Â Â 7Â Total lease costÂ $283Â Â $195Â Â Supplementalcash flow information related to leases was as follows:Â Schedule of Supplemental Cash Flow Information Related to Leases Â Â Six months ended June 30, 2024Â Â Six months ended June 30, 2023Â Â Â (in thousands)Â Cash paid for amounts included in the measurement of lease liabilities:Â Â Â Â Â Â Â Â Operating cash flows from operating leasesÂ $316Â Â $160Â Financing cash flows from finance leasesÂ $4Â Â $4Â Â Supplementalbalance sheet information related to leases was as follows:Â Schedule of Supplemental Balance Sheet Information Related to Leases Â Â June 30, 2024Â Â December 31, 2023Â Â Â (in thousands)Â Operating lease right-of-use assetsÂ $1,550Â Â $1,803Â Finance lease right-of-use assetsÂ $1Â Â $4Â Â Â Â Â Â Â Â Â Â Current portion of operating lease liabilitiesÂ $357Â Â $442Â Operating lease liabilities, net of current portionÂ Â 1,222Â Â Â 1,390Â Total operating lease liabilitiesÂ $1,579Â Â $1,832Â Â Â Â Â Â Â Â Â Â Current portion of finance lease liabilitiesÂ $1Â Â $4Â Finance lease liabilities, net of current portionÂ Â -Â Â Â -Â Total finance lease liabilitiesÂ $1Â Â $4Â Â Â Â Â Â Â Â Â Â Weighted average remaining lease termÂ Â Â Â Â Â Â Â Operating leasesÂ Â 4.0

yearsÂ Â Â 4.3 yearsÂ Finance leasesÂ Â 0.1 yearsÂ Â Â 0.6 yearsÂ Â Â Â Â Â Â Â Â Â Weighted average discount rateÂ Â Â Â Â Â Â Â Operating leasesÂ Â 8.0%Â Â 8.0% Finance leasesÂ Â 8.0%Â Â 8.0% Â 13 Â Â Asof June 30, 2024, maturities of lease liabilities were as follows:Â Schedule of Maturities of Lease Liabilities Â Â Operating LeasesÂ Â Finance LeasesÂ Â Â (in thousands)Â 2024 (excluding the six months ended June 30, 2024)Â $246Â Â $1Â 2025Â Â 435Â Â Â -Â 2026Â Â 450Â Â Â -Â 2027Â Â 450Â Â Â -Â 2028Â Â 251Â Â Â -Â Total future minimum lease paymentsÂ Â 1,832Â Â Â 1Â Less imputed interestÂ Â (253)Â Â -Â TotalÂ $1,579Â Â $1Â Â Note10 â€“ Stock Plans and Share-Based PaymentsÂ Thefair value of stock options and restricted stock is recognized as stock-based compensation expense in the Companyâ€™s condensed consolidatedstatement of operations. The Company calculates stock-based compensation expense in accordance with ASC 718. Thefair value of stock-based awards is amortized over the vesting period of the award.Â StockOptionsÂ TheCompany granted stock options to purchase 85,198 shares of common stock to employees during the three and six months ended June 30, 2024.These stock options are being expensed over the respective vesting period, which is based on a service condition. The fair value of thestock options granted during the three and six months ended June 30, 2024, was approximately $0.1 million.Â Thefair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model. The below assumptionsfor the risk-free interest rates, expected dividend yield, expected lives and expected stock price volatility were utilized for the stockoptions granted during the six months ended June 30, 2024.Â Schedule of Fair Value Assumptions Assumptions for Option GrantsÂ Â Â Stock Price VolatilityÂ Â 70.34% Risk-Free Interest RateÂ Â 4.45% Expected Life (in years)Â Â 6.08Â Expected Dividend YieldÂ Â -% Â Stock-basedcompensation expense related to stock options was approximately $28,000 and $169,000 for the three months ended June 30, 2024 and 2023,respectively. For the three months ended June 30, 2024, approximately $27,000 and $2,000 are included in selling, general and administrativeexpenses and research and development expenses, respectively, on the accompanying condensed consolidated statement of operations. Stock-based compensation expense for the three months ended June 30, 2024 consisted of $62,000 expense for sharesvested during the quarter, partially offset by a credit of $33,000 due to the reversal of expense related to an immaterial error associatedwith the forfeiture of unvested options for employee terminations that occurred in prior fiscal periods. For the three months ended June30, 2023, approximately $156,000 and $13,000 are included in selling, general and administrative expenses and research and developmentexpenses, respectively, on the accompanying condensed consolidated statement of operations.Â 14 Â Â Stock-basedcompensation expense related to stock options was $11,000 and $349,000 for the six months ended June 30, 2024 and 2023, respectively.For the six months ended June 30, 2024, approximately $8,000 and $3,000 are included in selling, general and administrative expensesand research and development expenses, respectively, on the accompanying condensed consolidated statement of operations. Stock-based compensation expense for the six months ended June 30, 2024 consisted of $120,000 expense for shares vested duringthe quarter, partially offset by a credit of $109,000 due to the reversal of expense related to an immaterial error associated with theforfeiture of unvested options for employee terminations that occurred in prior fiscal periods. For the six months ended June 30, 2023,approximately $315,000 and $34,000 are included in selling, general and administrative expenses and research and development expenses,respectively, on the accompanying condensed consolidated statement of operations.Â Therewas no tax benefit related to expense recognized in the three or six months ended June 30, 2024 and 2023, as the Company is in a netoperating loss position. As of June 30, 2024, there was approximately $625,000 of total unrecognized compensation expense related tounvested stock-based awards granted under the equity compensation plans, which will be amortized over the weighted average remainingrequisite service period of 2.7 years.Â RestrictedStockÂ Totalstock-based compensation expense for restricted stock on the Companyâ€™s condensed consolidated statement of operations was approximately$7,000 and $25,000 for the three months ended June 30, 2024 and 2023, respectively. Stock-based compensation expense for restricted stockis included in selling, general and administrative expenses on the accompanying condensed consolidated statement of operations.Â Totalstock-based compensation expense for restricted stock was approximately $15,000 and $38,000 for the six months ended June 30, 2024, and2023, respectively. During the six months ended June 30, 2023, 23,781 shares of restricted stock were issued to employees, 133,722 sharesof restricted stock were issued to board members all related to services rendered during the year ended December 31, 2022. In addition,30,000 shares of restricted stock were issued to contractors during the six months ended June 30, 2023. All restricted shares issuedduring the six months ended June 30, 2023, have a vesting period of six months.Â Asof June 30, 2024, there was no unrecognized compensation expense related to unvested stock-based awards granted under the equity compensationplans.Â SRPEquity Incentive PlanÂ SRPâ€™s2019 Equity Incentive Plan was approved on May 7, 2019 under which 150,000 shares of SRPâ€™s common stock are reserved for the issuanceof options and other awards. This plan is no longer operational, due to the wind down of SRPâ€™s operations and its April 2023 dissolution.Â Dueto the Companyâ€™s acquisition of the non-controlling interest in SRP during the six months ended June 30, 2023, all remaining equity-basedawards have been forfeited and no further expense will be incurred related to these awards. There were no SRP stock options or otherequity awards granted during the six months ended June 30, 2023. For the six months ended June 30, 2023, a credit of approximately ($27,000)was recognized for expense related to the SRP equity-based awards. Stock-based compensation expense related to the SRP equity-based awardsis included in selling, general and administrative expenses on the accompanying condensed consolidated statement of operations.Â Note11 â€“ Stockholdersâ€™ EquityÂ NoncontrollingInterestÂ Inseparate transactions in September 2018 and February 2022, SRP issued and sold an aggregate of 700,003 shares of its Series A PreferredStock for aggregate gross proceeds of approximately $3.5 million. Of such shares, the Company purchased 62,500 shares in the February2022 transaction, maintaining a 62.5% ownership stake in SRP. Approximately $188,000 of the proceeds from the February 2022 sales wererecorded as an increase to the equity of the non-controlling interests. In addition to the Companyâ€™s purchase of Series A PreferredStock from SRP, the Company also loaned to SRP the principal amount of $1.3 million, $1.0 million of which was advanced during the yearended December 31, 2020.Â 15 Â Â InMarch 2023, the board of directors of SRP adopted, and the stockholders of SRP approved, a plan to wind down SRPâ€™s operations anddissolve, and in April 2023, SRP filed a certificate of dissolution with the State of Delaware. In accordance with its plan of dissolution,after SRP satisfied its other outstanding liabilities, SRP assigned to the Company all of its remaining assets, including its intellectualproperty rights, in satisfaction of outstanding indebtedness owed to the Company in the approximate amount of $1.5 million. No otherassets are available for distribution to any of SRPâ€™s stockholders, including the Company, in respect of their shares of SRP capitalstock, including the Series A Preferred. As a result of the dissolution described above, it was determined approximately $24,000 of inventorylikely had no value, and was written off in the period ended March 31, 2023.Â Note12 â€“ Net Loss per Common ShareÂ Basicloss per common share is calculated by dividing net loss available to common shareholders by the number of weighted average common

sharesissued and outstanding. Diluted loss per common share is calculated by dividing net loss available to common shareholders by the weightedaverage number of common shares issued and outstanding for the period, plus amounts representing the dilutive effect from the exerciseof stock options and warrants and unvested restricted stock, as applicable. The Company calculates dilutive potential common shares usingthe treasury stock method, which assumes the Company will use the proceeds from the exercise of stock options and warrants to repurchaseshares of common stock to hold in its treasury stock reserves.Â Thefollowing potentially dilutive securities have been excluded from the computations of diluted weighted average shares outstanding asthey would be antidilutive:Â Scheduleof Antidilutive Securities Excluded from Computation of Earnings Per Share Â Â June 30,Â Â Â 2024Â Â 2023Â Shares underlying options outstandingÂ Â 1,249,354Â Â Â 1,765,853Â Unvested restricted stockÂ Â -Â Â Â 187,503Â Â Note13 â€“ Commitments and ContingenciesÂ PurchaseCommitmentsÂ Inexchange for the rights granted under the License and Supply Agreement with Medica (see Note 7 â€“ License and Supply Agreement,net), the Company agreed to make certain minimum annual aggregate purchases from Medica over the term of the License and Supply Agreement.For the year ended December 31, 2024, the Company has agreed to make minimum annual aggregate purchases from Medica of â,¬4.2 million(approximately $4.5 million). As of June 30, 2024, the Companyâ€™s aggregate purchase commitments totaled â,¬3.6 million (approximately$3.9 million).Â ContractualObligationsÂ SeeNote 9 â€“ Leases for a discussion of the Companyâ€™s contractual obligations.Â 16 Â Â Item2. Managementâ€™s Discussion and Analysis of Financial Condition and Results of Operations.Â Thefollowing discussion should be read in conjunction with our condensed consolidated financial statements and notes thereto included inItem 1 of Part I of this Quarterly Report on Form 10-Q. This discussion includes forward-looking statements about our business, financialcondition and results of operations including discussions about managementâ€™s expectations for our business. These statements representprojections, beliefs and expectations based on current circumstances and conditions and in light of recent events and trends, and thesestatements should not be construed either as assurances of performances or as promises of a given course of action. Instead, variousknown and unknown factors are likely to cause our actual performance and managementâ€™s actions to vary, and the results of thesevariances may be both material and adverse.Â BusinessOverviewÂ Weare a commercial-stage company that develops and sells high performance water solutions to the medical and commercial markets.Â Ourmedical water filters, mostly classified as ultrafilters, are used primarily by hospitals for the prevention of infection from waterbornepathogens, such as legionella and pseudomonas, and in dialysis centers for the removal of biological contaminants from water and bicarbonateconcentrate. Because our ultrafilters capture contaminants as small as 0.005 microns in size, they minimize exposure to a wide varietyof bacteria, viruses, fungi, parasites, and endotoxins.Â Ourcommercial water filters improve the taste and odor of water and reduce biofilm, cysts, particulates, and scale build-up in downstreamequipment. Our products are marketed primarily to the food service, hospitality, convenience store, and health care markets, and alsosold to medical institutions to supplement our medical filters.Â Wepreviously held a majority stake in Specialty Renal Products, Inc. (â€œSRPâ€), a development-stage medical device company thatwas focused primarily on developing hemodiafiltration (â€œHDFâ€) technology. In May 2022, SRP received 510(k) clearance fromthe FDA for SRPâ€™s second-generation model of the OLpÅ«rH2H Hemodiafiltration System, which enables nephrologists to provideHDF treatment to patients with end stage renal disease. In January 2023, SRP management began exploring strategic partnerships to supporta commercial launch of the HDF product but was unsuccessful in identifying a partner. By late February 2023, SRP had nearly exhaustedits capital resources and, due to its limited capital and lack of prospects for securing a strategic partnership or additional financing,the board of directors of SRP adopted a plan on March 6, 2023 to wind down SRP operations, liquidate its remaining assets and dissolvethe company. That plan was approved by SRPâ€™s stockholders on March 9, 2023, and on April 13, 2023, SRP filed a certificate of dissolutionwith the State of Delaware. SRPâ€™s cash resources were sufficient to satisfy all of its outstanding liabilities other than its obligationsto us under a loan with an outstanding balance of approximately $1.5 million. Accordingly, SRP assigned to Nephros all of its remainingassets, including its intellectual property rights in the HDF2 device, in satisfaction of its outstanding loan balance. Although we haveno current plans to do so, we may re-evaluate opportunities for HDF in the future.Â OurProductsÂ WaterFiltration ProductsÂ Wedevelop and sell water filtration products used in both medical and commercial applications. Our water filtration products employ multiplefiltration technologies, as described below.Â Inmedical markets, our primary filtration mechanism is to pass liquids through the pores of polysulfone hollow fiber. Our filtersâ€™pores are significantly smaller than those of competing products, resulting in highly effective elimination of waterborne pathogens,including legionella bacteria (the cause of Legionnaires disease) and viruses, which are not eliminated by most other microbiologicalfilters on the market. Additionally, the fiber structure and pore density in our hollow fiber enables significantly higher flow ratesthan in other polysulfone hollow fiber.Â Ourprimary sales strategy in medical markets is to sell through value-added resellers (â€œVARsâ€). Leveraging VARs has enabledus to expand rapidly our access to target customers with limited sales staff expansion. In addition, while we are currently focused onmedical markets, the VARs that support these customers also support a wide variety of commercial and industrial customers. We believethat our VAR relationships have and will continue to facilitate growth in filter sales outside of the medical industry.Â Incommercial markets, we develop and sell our filters, for which carbon-based absorption is the primary filtration mechanism. These productsallow us to improve waterâ€™s odor and taste, to reduce scale and heavy metals, and to reduce other water contaminants for customerswho are primarily in the food service, convenience store, and hospitality industries. These commercial products are also sold into medicalmarkets, as supplemental filtration to our medical filters.Â 17 Â Â Incommercial markets, our model combines both direct and indirect sales. Through our employee sales staff, we have sold products directlyto a number of convenience stores, hotels, casinos, and restaurants. We have also signed an agreement with a partner to be the exclusivedistributor to resell select water filters and related products to customers in the commercial food and beverage markets subject to meetingcertain minimum thresholds.Â TargetMarketsÂ Ourultrafiltration products currently target the following markets:Â Â â— Hospitals and Other Healthcare Facilities: Filtration of water for washing and drinking as an aid in infection control. The filters produce water that is suitable for wound cleansing, cleaning of equipment used in medical procedures, and washing of surgeonsâ€™ hands. Â â— Dialysis Centers and Home/Portable Dialysis Machines: Filtration of water or bicarbonate concentrate used in hemodialysis. Â â— Commercial Facilities: Filtration and purification of water for consumption, including for use in ice machines and soft drink dispensers. Â â— Military and Outdoor Recreation: Individual water purification devices used by soldiers and backpackers to produce drinking water in the field, as well as filters customized to remote water processing systems. Â Hospitalsand Other Healthcare Facilities. Nephros filters are a leading tool used to provide proactive protection to patients in high-riskareas (e.g., ice machines, surgical rooms, NICUs) and reactive protection to patients in broader areas during periods of water pathogenoutbreaks. Our products are used in hundreds of medical facilities to aid in

infection control, both proactively and reactively.Â Asof 2023, according to the American Hospital Association, there are approximately 6,129 hospitals in the U.S., with approximately 920,000beds. Over 34 million patients were admitted to these hospitals. The U.S. Centers for Disease Control and Prevention (â€œCDCâ€)estimates that healthcare associated infections (â€œHAIâ€) occur in approximately 1 out of every 31 hospital patients, whichcalculates to over one million patients in 2023. HAIs affect patients in hospitals or other healthcare facilities and are not presentor incubating at the time of admission. They also include infections acquired by patients in the hospital or facility, but appearingafter discharge, and occupational infections among staff. Many HAIs are caused by waterborne bacteria and viruses that can thrive inaging or complex plumbing systems often found in healthcare facilities.Â InJanuary 2022, the Center for Clinical Standards and Quality at the Centers for Medicare and Medicaid Services (â€œCMSâ€) expandedits requirements â€“ originally implemented in 2017 â€“ for facilities to develop policies and procedures that inhibit the growthand spread of legionella and other opportunistic pathogens in building water systems. In this 2022 update, CMS requires teams to be assignedto the development of formal water management plans (â€œWMPsâ€), as well as detailed documentation regarding the developmentof the WMPs and their execution. CMS surveyors regularly review policies, procedures, and reports documenting water management implementationresults to verify that facilities are compliant with these requirements. We believe that these CMS regulations may have a positive impacton the sale of our HAI-inhibiting ultrafilters.Â Wecurrently have FDA 510(k) clearance on the following portfolio of medical device products for use in the hospital setting to aid in infectioncontrol:Â Â â— The DSU-H and SSU-H are in-line, 0.005-micron ultrafilters that provide dual- and single-stage protection, respectively, from waterborne pathogens. They are primarily used to filter potable water feeding ice machines, sinks, and medical equipment, such as endoscope washers and surgical room humidifiers. The DSU-H has an up to 6-month product life in a typical hospital setting, while the SSU-H has an up to 3-month product life. Â Â â— The S100 is a point-of-use, 0.01-micron microfilter that provides protection from waterborne pathogens. The S100 is primarily used to filter potable water feeding sinks and showers. The S100 has an up to 3-month product life when used in a hospital setting. Â Â â— The HydraGuardTM and HydraGuardTM - Flush are 0.005-micron cartridge ultrafilters that provide single-stage protection from waterborne pathogens. The HydraGuard ultrafilters are primarily used to filter potable water feeding ice machines and medical equipment, such as endoscope washers and surgical room humidifiers. The HydraGuard has an up to 6-month product life and the HydraGuard - Flush has an up to 12-month product life when used in a hospital setting. Â 18 Â Â Ourcomplete hospital infection control product line, including in-line, and point-of-use can be viewed on our website at https://www.nephros.com/infection-control/.We are not including the information on our website as a part of, nor incorporating it by reference into, this Quarterly Report on Form10-Q.Â DialysisCenters - Water/Bicarbonate. In the dialysis water market, Nephros ultrafiltration products are among the highest performingproducts on the market. The DSU-D, SSU-D and the SSUmini have become the standard endotoxin filter in many portable reverse osmosis systems.The EndoPurÂ®, our large-format ultrafilter targeted at dialysis clinic water systems, provides the smallest pore sizeavailable.Â Toperform hemodialysis, all dialysis clinics have dedicated water purification systems to produce water and bicarbonate concentrate, twoessential ingredients for making dialysate, the liquid that removes waste material from the blood. According to the American Journalof Kidney Diseases, there are approximately 7,100 dialysis clinics in the United States servicing approximately 500,000 patients annually.We estimate that there are over 100,000 hemodialysis machines in operation in the United States.Â Wecurrently have FDA 510(k) clearance on the following portfolio of medical device products for use in the dialysis setting to aid in bacteria,virus, and endotoxin retention:Â Â â— The DSU-D, SSU-D and SSUmini are in-line, 0.005-micron ultrafilters that provide protection from bacteria, viruses, and endotoxins. All of these products have an up to 12-month product life in the dialysis setting and are used to filter water following treatment with a reverse osmosis (â€œROâ€) system, and to filter bicarbonate concentrate. These ultrafilters are primarily used in the water lines and bicarbonate concentrate lines leading into dialysis machines, and as a polish filter for portable RO machines. Â Â Â Â â— The EndoPur is a 0.005-micron cartridge ultrafilter that provides single-stage protection from bacteria, viruses, and endotoxins. The EndoPur has an up to 12-month product life in the dialysis setting and is used to filter water following treatment with an RO system. More specifically, the EndoPur is used primarily to filter water in large RO systems designed to provide ultrapure water to an entire dialysis clinic. The EndoPur is a cartridge-based, â€œplug and playâ€ market entry that requires no plumbing at installation or replacement. The EndoPur is available in 10â€, 20â€, and 30â€ configurations. Â Commercialand Industrial Facilities. Our commercial NanoGuardÂ® product line accomplishes ultrafiltration via smallpore size (0.005 micron) technology, filtering bacteria and viruses from water. In addition, our commercial filtration offerings includetechnologies that are primarily focused on improving odor and taste and on reducing scale and heavy metals from filtered water.Â Ourcommercial market focus is on the hotel, restaurant, and convenience store markets. In March 2022, we entered into an agreement to providewater filtration systems to an organization that services approximately 3,000 Quick Service Restaurants (â€œQSRâ€). EffectiveJanuary 1, 2023, we entered into a new supply agreement with this commercial partner, which superseded the March 2022 agreement. Underthe January 2023 agreement, we engaged this commercial partner to be our exclusive distributor to the food, beverage and hospitalityindustries. We continue to pursue other national accounts, which, over time, may result in step-change increases in commercial marketrevenue.Â Overtime, we believe that the same water safety management programs currently underway at medical facilities may migrate to commercial markets.As the epidemiology of waterborne pathogens expands, links to contamination sources will become more efficient and the data more readilyavailable. In cases where those sources are linked to restaurants, hotels, office buildings and residential complexes, the corporateowners of those facilities will likely face increasing liability exposure. We expect that building owners will come to understand ASHRAE-188,which outlines risk factors for buildings and their occupants, and provides water safety management guidelines. We believe, in time,most commercial buildings will need to follow the basic requirements of ASHRAE-188: create a water management plan, perform routine testing,and establish a plan to treat the building in the event of a positive test.Â 19 Â Â Asdemand for water testing and microbiological filtration grows, we will be ready to deploy our expertise and solutions based on yearsof experience servicing the medical market. We believe that we have an opportunity to offer unique expertise and products to the commercialmarket, and that our future revenue from the commercial market could even surpass our infection control revenue.Â Wecurrently market the following portfolio of proprietary products for use in the commercial, industrial, and food service settings:Â Â â— The NanoGuard set of products are in-line, 0.005-micron ultrafilter that provides dual-stage retention of any organic or inorganic particle larger than 15,000 Daltons. NanoGuard products are designed to fit a variety of existing plumbing configurations, including 10â€ and 20â€ standard housings, and Nephros and EverpureÂ® manifolds. Included in the NanoGuard product line are both conventional and flushable filters. Â Â Â Â â— The Nephros line of commercial filters provide a variety of technology solutions that improve water quality in food service, convenience

store, hospitality, and industrial applications. Nephros filters improve water taste and odor, and reduce sediment, dirt, rust particles and other solids, chlorine and heavy minerals, lime scale build-up, and both particulate lead and soluble lead. Â Nephroscommercial products combine effectively with NanoGuard ultrafiltration technologies to offer full-featured solutions to the commercialwater market, including to existing users of Everpure filter manifolds.Â CriticalAccounting PoliciesÂ Forthe six-month period ended June 30, 2024, there were no significant changes to our critical accounting policies as identified in ourAnnual Report on Form 10-K for the year ended December 31, 2023.Â RecentAccounting PronouncementsÂ Weare subject to recently issued accounting standards, accounting guidance and disclosure requirements. For a description of these newaccounting standards, see Note 2, â€œBasis of Presentation and Liquidity,â€ of the Notes to our Unaudited Condensed ConsolidatedInterim Financial Statements contained in Item 1 of Part I of this Quarterly Report on Form 10-Q, which is incorporated herein by reference.Â Resultsof OperationsÂ Fluctuationsin Operating ResultsÂ Ourresults of operations have fluctuated significantly from period to period in the past, including recently, and are likely to continueto do so in the future. We anticipate that our annual results of operations will be impacted in the foreseeable future by several factors,including market acceptance of our products, expense management, and progress to achieve positive operating cash flow. Due to these fluctuations,we believe that the period-to-period comparisons of our operating results are not a good indication of our future performance.Â 20 Â Â ThreeMonths Ended June 30, 2024 Compared to the Three Months Ended June 30, 2023Â Thefollowing table sets forth our summarized, consolidated results of operations for the three months ended June 30, 2024 and 2023 (in thousands,except percentages):Â Â Â Â Â Â Â Â Â $Â Â %Â Â Â Â Â Â Â Â Â IncreaseÂ Â IncreaseÂ Â Â 2024Â Â 2023Â Â (Decrease)Â Â (Decrease)Â Total net revenuesÂ $3,252Â Â $3,545Â Â $(293)Â Â (8)% Cost of goods soldÂ Â 1,340Â Â Â 1,466Â Â Â (126)Â Â (9)% Gross marginÂ Â 1,912Â Â Â 2,079Â Â Â (167)Â Â (8)% Gross margin %Â Â 59%Â Â 59%Â Â -Â Â Â -% Selling, general and administrative expenseÂ Â 1,941Â Â Â 2,239Â Â Â (298)Â Â (13)% Research and development expenseÂ Â 254Â Â Â 221Â Â Â 33Â Â Â 15% Depreciation and amortization expenseÂ Â 34Â Â Â 54Â Â Â (20)Â Â (37)% Operating lossÂ Â (317)Â Â (435)Â Â 118Â Â Â (27)% Interest expenseÂ Â -Â Â Â -Â Â Â -Â Â Â -% Interest incomeÂ Â 21Â Â Â 13Â Â Â 8Â Â Â 62% Other income (expense), netÂ Â 7Â Â Â (11)Â Â 18Â Â Â 164% Net lossÂ $(289)Â $(433)Â $144Â Â Â (33)% Â RevenueÂ Overall,net revenues decreased by $0.3 million, or 8%, for the three months ended June 30, 2024, compared to the same period in 2023. This decreasewas primarily driven by decreased revenue from emergency response orders, which were unusually large in the second quarter of 2023 butnot repeated to the same degree in the comparable 2024 period. We believe that one contributor to this decline is the reduced stringencyof waterborne risk response in territories previously committed to both proactive filtration measures and robust corrective actions.Consequently, we experienced the effects of a relaxation of requirements for emergency relief and remediation. However, the decreasein emergency response orders was partially offset by increased revenue from programmatic or recurring sales, which were 8% more thanthe same period in 2023. This increase in programmatic sales was due to the development of our newer sales personnel hired in 2023.Â GrossProfit MarginÂ Consolidatedgross margin was approximately 59% for each of the three month periods ended June 30, 2024, and June 30, 2023.Â Selling,General and Administrative ExpensesÂ Consolidatedselling, general and administrative expenses decreased $298,000, or 13%, primarily due toa decrease in bonus accrual, sales commission expense, stock compensation expense, and professional fees.Â Researchand Development ExpensesÂ Consolidatedresearch and development expenses increased approximately $33,000 due to an increase in headcount.Â Depreciationand Amortization ExpenseÂ Depreciationand amortization expenses were approximately $34,000 and $54,000, respectively, for the three months ended June 30, 2024, and 2023.Â InterestIncomeÂ Interestincome was approximately $21,000 for the three months ended June 30, 2024 compared to approximately $13,000 for the three months endedJune 30, 2023.Â OtherIncome (Expense), netÂ Otherincome of approximately $7,000 for the three months ended June 30, 2024, is primarily a result of a sale of a fully depreciated asset.Other expense of approximately $11,000 for the three months ended June 30, 2023 is primarily a result of losses on foreign currency transactions.Â 21 Â Â SixMonths Ended June 30, 2024 Compared to the Six Months Ended June 30, 2023Â Thefollowing table sets forth our summarized, consolidated results of operations for the six months ended June 30, 2024 and 2023 (in thousands,except percentages):Â Â Â Â Â Â Â Â Â $Â Â %Â Â Â Â Â Â Â Â Â IncreaseÂ Â IncreaseÂ Â Â 2024Â Â 2023Â Â (Decrease)Â Â (Decrease)Â Total net revenuesÂ $6,774Â Â $7,242Â Â $(468)Â Â (6)% Cost of goods soldÂ Â 2,675Â Â Â 3,052Â Â Â (377)Â Â (12)% Gross marginÂ Â 4,099Â Â Â 4,190Â Â Â (91)Â Â (2)% Gross margin %Â Â 61%Â Â 58%Â Â -Â Â Â 3% Selling, general and administrative expenseÂ Â 4,083Â Â Â 4,363Â Â Â (280)Â Â (6)% Research and development expenseÂ Â 466Â Â Â 460Â Â Â 6Â Â Â 1% Depreciation and amortization expenseÂ Â 67Â Â Â 108Â Â Â (41)Â Â (38)% Operating lossÂ Â (517)Â Â (741)Â Â 224Â Â Â (30)% Interest expenseÂ Â (1)Â Â (1)Â Â -Â Â Â -% Interest incomeÂ Â 46Â Â Â 25Â Â Â 21Â Â Â 84% Other (expense) income, netÂ Â 14Â Â Â (22)Â Â 36Â Â Â 164% Net lossÂ $(458)Â $(739)Â $281Â Â Â (38)% Â RevenueÂ Overall,net revenues decreased by $0.5 million, or 6% for the six months ended June 30, 2024, compared to the same period in 2023. This decreasewas primarily driven by decreased revenue from emergency response orders, which were unusually large in the first half of 2023 but notrepeated to the same degree in the comparable 2024 period. We believe that one contributor to this decline is the reduced stringencyof waterborne risk response in territories previously committed to both proactive filtration measures and robust corrective actions.Consequently, we experienced the effects of a relaxation of requirements for emergency relief and remediation. However, the decreasein emergency response orders was partially offset by increased revenue from programmatic or recurring sales, which were 10% more thanthe same period in 2023. This increase in programmatic sales was due to the development of our newer sales personnel hired in 2023.Â GrossProfit MarginÂ Consolidatedgross margin was approximately 61% for the six months ended June 30, 2024, compared to approximately 58% for the six months ended June30, 2023. The increase of approximately 3 percentage points, was driven by more favorable pricing terms with our largest supplier andreduced shipping expenses in the first quarter of 2024.Â Selling,General and Administrative ExpensesÂ Consolidatedselling, general and administrative expenses decreased $280,000 or 6% primarily due to a decrease in bonus accrual, sales commissionexpense, stock compensation expense, and professional fees offset in part by an increase in salary expense.Â Researchand Development ExpensesÂ Consolidatedresearch and development expenses increased $6,000 primarily due to an increase in headcount offset by the wind down of our SRP division.Â Depreciationand Amortization ExpenseÂ Depreciationand amortization expenses were approximately $67,000 and $108,000, respectively, for the six months ended June 30, 2024, and 2023.Â InterestExpenseÂ Interestexpense was approximately $1,000 for the six months ended June 30, 2024 and June 30, 2023.Â 22 Â Â InterestIncomeÂ Interestincome was approximately $46,000 for the six months ended June 30, 2024 compared to approximately $25,000 for the six months ended June31, 2023.Â OtherIncome (Expense), netÂ Otherincome was

approximately $14,000 for the six months ended June 30, 2024, and is primarily a resultof losses on foreign currency transactions and a sale of a fully depreciated asset. Other expense was approximately $22,000 forthe six months ended June 30, 2023 and is primarily a result of losses on foreign currency transactions.Â Liquidityand Capital ResourcesÂ Thefollowing table summarizes our liquidity and capital resources as of June 30, 2024 and December 31, 2023 and is intended to supplementthe more detailed discussion that follows. The amounts stated are expressed in thousands.Â Â Â June 30,Â Â December 31,Â Liquidity and Capital ResourcesÂ 2024Â Â 2023Â Cash and cash equivalentsÂ $3,080Â Â $4,307Â Other current assetsÂ Â 4,846Â Â Â 4,098Â Working capitalÂ Â 5,974Â Â Â 6,292Â Stockholdersâ€™ equityÂ Â 7,926Â Â Â 8,358Â Â AtJune 30, 2024, we had an accumulated deficit of $144.9 million and we may incur additional operating losses from operations until suchtime, if ever, that we are able to increase product sales and/or licensing revenue to achieve profitability.Â Basedon cash that is available for our operations and projections of our future operations, we believethat our cash balances will be sufficient to fund our current operating plan through at least the next 12 months from the date of issuanceof the condensed consolidated financial statements in this Quarterly Report on Form 10-Q. Additionally, our operating plans are designedto help control operating costs, to increase revenue, and to raise additional capital until such time as we generate sufficient cashflows to fund operations. If there were a decrease in the demand for our products due to either economic or competitive conditions,or if we are otherwise unable to achieve our plan or achieve our anticipated operating results, there could be a significant reductionin liquidity due to our possible inability to cut costs sufficiently. In such event, the Companymay need to take further actions to reduce its discretionary expenditures, including further reducing headcount, reducing spending onR&D projects, and reducing other variable costs.Â Ourfuture liquidity sources and requirements will depend on many other factors, including:Â Â â— the market acceptance of our products, and our ability to effectively and efficiently produce, market and sell our products; Â â— the costs involved in filing and enforcing patent claims and the status of competitive products; and Â â— the cost of litigation, including potential patent litigation and any other actual or threatened litigation. Â Weexpect to put our current capital resources toward the development, marketing, and sales of our water filtration products and workingcapital purposes.Â Netcash used in operating activities was $1.2 million for the six months ended June 30, 2024, compared to net cash provided by operatingactivities of approximately $0.5 million for the six months ended June 30, 2023. Net cash used in operating activities in 2024 was primarilydue to the net loss of approximately $0.5 million, an increase in inventory of approximately $0.5 million, an increase in accounts receivableof approximately $0.4 million and a decrease in accrued expenses of approximately $0.4 million, offset by an increase in accounts payableof approximately $0.3 million, and an increase in inventory impairments and write offs of approximately $0.2 million. Net cash providedby operating activities in 2023 was primarily due to a decline in inventory of approximately $0.9 million, an increase in accrued expensesof approximately $0.3 million offset by a decrease in accounts payable of approximately $0.4 million and an increase in accounts receivableof approximately $0.3 million.Â 23 Â Â Netcash used in investing activities was approximately $55,000 in the six months ended June 30, 2024, due to purchases of property and equipment.We had no investing activities for the six months ended June 30, 2023.Â Netcash used in financing activities was approximately $4,000 for the six months ended June 30, 2024, primarily due to payments on financelease. Net cash used in financing activities was approximately $0.1 million for the six months ended June 30, 2023, primarily due toprincipal payments on debt.Â Off-BalanceSheet ArrangementsÂ Wedid not have any off-balance sheet arrangements as of June 30, 2024.Â Forward-LookingStatementsÂ ThePrivate Securities Litigation Reform Act of 1995 provides a â€œsafe harborâ€ for forward-looking statements. Certainstatements in this Quarterly Report on Form 10-Q constitute â€œforward-looking statementsâ€. Such statements include statementsregarding the efficacy and intended use of our technologies under development, the timelines and strategy for bringing such productsto market, the timeline for regulatory review and approval of our products, the availability of funding sources for continued developmentof such products, and other statements that are not historical facts, including statements which may be preceded by the words â€œintends,â€â€œmay,â€ â€œwill,â€ â€œplans,â€ â€œexpects,â€ â€œanticipates,â€ â€œprojects,â€â€œpredicts,â€ â€œestimates,â€ â€œaims,â€ â€œbelieves,â€ â€œhopes,â€ â€œpotentialâ€or similar words. Forward-looking statements are not guaranties of future performance, are based on certain assumptions and are subjectto various known and unknown risks and uncertainties, many of which are beyond our control. Actual results may differ materially fromthe expectations contained in the forward-looking statements. Factors that may cause such differences include, but are not limited to,the risks that:Â Â â— we face significant challenges in obtaining market acceptance of our products, which, if not obtained, could adversely affect our potential sales and revenues; Â â— product-related deaths or serious injuries or product malfunctions could trigger recalls, class action lawsuits and other events that could cause us to incur expenses and may also limit our ability to generate revenues from such products; Â â— we face potential liability associated with the production, marketing and sale of our products, and the expense of defending against claims of product liability could materially deplete our assets and generate negative publicity, which could impair our reputation; Â â— to the extent our products or marketing materials are found to violate any provisions of the U.S. Food, Drug and Cosmetic Act (the â€œFDC Actâ€) or any other statutes or regulations, we could be subject to enforcement actions by the U.S. Food and Drug Administration (the â€œFDAâ€) or other governmental agencies; Â â— we may not be able to obtain funding when needed or on terms favorable to us in order to continue operation; Â â— we may not have sufficient capital to successfully implement our business plan; Â â— we may not be able to effectively market our products; Â â— we may not be able to sell our water filtration products at competitive prices or profitably; Â â— we may encounter problems with our suppliers, manufacturers, and distributors; Â â— we may encounter unanticipated internal control deficiencies or weaknesses or ineffective disclosure controls and procedures; Â â— we may not be able to obtain appropriate or necessary regulatory approvals to achieve our business plan; Â â— we may not be able to secure or enforce adequate legal protection, including patent protection, for our products; and Â â— we may not be able to achieve sales growth in key geographic markets. Â Moredetailed information about us and the risk factors that may affect the realization of forward-looking statements, including the forward-lookingstatements in this Quarterly Report on Form 10-Q, is set forth in our filings with the U.S. Securities and Exchange Commission (the â€œSECâ€),including our Annual Report on Form 10-K for the fiscal year ended December 31, 2023 and our other reports filed with the SEC. We urgeinvestors and security holders to read those documents free of charge at the SECâ€™s web site at www.sec.gov. We do not undertaketo publicly update or revise our forward-looking statements as a result of new information, future events or otherwise, except as requiredby law.Â 24 Â Â Item3. Quantitative and Qualitative Disclosures About Market Risk.Â Notrequired for smaller reporting companies.Â Item4. Controls and Procedures.Â Evaluationof Disclosure Controls and ProceduresÂ Wemaintain a system of disclosure controls and procedures, as defined in Rule 13a-15(e) or Rule 15d-15(e) under the Securities ExchangeAct of 1934, as amended (the

â€œExchange Actâ€), which is designed to provide reasonable assurance that information requiredto be disclosed in our reports filed pursuant to the Exchange Act is accumulated and communicated to management in a timely manner. Managementrecognizes that any disclosure controls and procedures, no matter how well designed and operated, can provide only reasonable assuranceof achieving their objectives. Because there are inherent limitations in all control systems, no evaluation of controls can provide absoluteassurance that all control issues and instances of fraud have been or will be detected.Â Atthe end of the period covered by this Quarterly Report on Form 10-Q, we carried out an evaluation, under the supervision and with theparticipation of our management, including our Chief Executive Officer and Chief Financial Officer, regarding the effectiveness of ourdisclosure controls and procedures pursuant to Exchange Act Rule 13a-15(b). Based upon that evaluation, our Chief Executive Officer andChief Financial Officer concluded that our disclosure controls and procedures as of the end of the period covered by this report wereeffective.Â Changesin Internal Control Over Financial ReportingÂ Therewere no changes in our internal control over financial reporting that occurred during our most recent fiscal quarter that materiallyaffected, or are reasonably likely to materially affect, our internal control over financial reporting.Â PARTII - OTHER INFORMATIONÂ Item1A. Risk FactorsÂ Asa smaller reporting company, we are not required to provide disclosure pursuant to this item. However, in addition to other informationset forth in this Quarterly Report on Form 10-Q, including the important information in the section entitled â€œForward Looking Statements,â€you should carefully consider the â€œRisk Factorsâ€ in Item 1A of our Annual Report on Form 10-K for the year ended December31, 2023 for a discussion of important factors that could cause actual results to differ materially from the results described in orimplied by the forward-looking statements contained in this Quarterly Report on Form 10-Q. Additional risks and uncertainties not currentlyknown to us or that we currently deem to be immaterial might materially adversely affect our actual business, financial condition and/oroperating results.Â Item5. Other Information.Â Duringthe three months ended June 30, 2024, none of our directors or officers adopted or terminated a â€œRule 10b5-1 trading arrangementâ€or â€œnon-Rule 10b5-1 trading arrangement,â€ as each term is defined in Item 408 of Regulation S-K.Â 25 Â Â Item6. ExhibitsÂ EXHIBITINDEXÂ Exhibit No. Â Description of Exhibit Â Â Â 10.1 Â Nephros, Inc. 2024 Equity Incentive Plan (incorporated by reference to Exhibit 10.1 to Nephros, Inc.â€™s Current Report on Form 8-K, filed with the SEC on May 24, 2024). Â Â Â 31.1 Â Certification by the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. * Â Â Â 31.2 Â Certification by the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. * Â Â Â 32.1 Â Certification by the Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. ** Â Â Â 32.2 Â Certification by the Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. ** Â Â Â 101 Â Interactive Data File. * Â Â Â 101.INS Â Inline XBRL Instance Document* Â Â Â 101.SCH Â Inline XBRL Taxonomy Extension Schema Document Â Â Â 101.CAL Â Inline XBRL Taxonomy Extension Calculation Linkbase Document Â Â Â 101.DEF Â Inline XBRL Taxonomy Extension Definition Linkbase Document Â Â Â 101.LAB Â Inline XBRL Taxonomy Extension Label Linkbase Document Â Â Â 101.PRE Â Inline XBRL Taxonomy Extension Presentation Linkbase Document Â Â Â 104 Â Cover Page Interactive Data File (embedded within the Inline XBRL document) Â Â Â * Â Filed herewith ** Â Furnished herewith Â 26 Â Â SIGNATURESÂ Pursuantto the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf bythe undersigned thereunto duly authorized.Â Â NEPHROS, INC. Â Â Â Date: August 8, 2024 By: /s/ Robert Banks Â Name: Robert Banks Â Title: President, Chief Executive Officer (Principal Executive Officer) Â Â Â Date: August 8, 2024 By: /s/ Judy Krandel Â Name: Judy Krandel Â Title: Chief Financial Officer (Principal Financial and Accounting Officer) Â 27 Â Â Exhibit31.1Â CERTIFICATIONOF CHIEF EXECUTIVE OFFICER UNDERSECTION 302 OF THE SARBANES-OXLEY ACTÂ I,Robert Banks, certify that:Â 1.I have reviewed this Quarterly Report on Form 10-Q of Nephros, Inc.Â 2.Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessaryto make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to theperiod covered by this report;Â 3.Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all materialrespects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in thisreport;Â 4.The registrantâ€™s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures(as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange ActRules 13a-15(f) and 15d-15(f)) for the registrant and have:Â a.Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision,to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by otherswithin those entities, particularly during the period in which this report is being prepared;Â b.Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed underour supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statementsfor external purposes in accordance with generally accepted accounting principles;Â c.Evaluated the effectiveness of the registrantâ€™s disclosure controls and procedures and presented in this report our conclusionsabout the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation;andÂ d.Disclosed in this report any change in the registrantâ€™s internal control over financial reporting that occurred during the registrantâ€™smost recent fiscal quarter (the registrantâ€™s fourth fiscal quarter in the case of an annual report) that has materially affected,or is reasonably likely to materially affect, the registrantâ€™s internal control over financial reporting; andÂ 5.The registrantâ€™s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financialreporting, to the registrantâ€™s auditors and the audit committee of the registrantâ€™s board of directors (or persons performingthe equivalent functions):Â a.All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which arereasonably likely to adversely affect the registrantâ€™s ability to record, process, summarize and report financial information;andÂ b.Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrantâ€™sinternal control over financial reporting.Â Date: August 8, 2024 By: /s/ Robert Banks Â Name: Robert Banks Â Title: President, Chief Executive Officer (Principal Executive Officer) Â Â Â Â Exhibit31.2Â CERTIFICATIONOF CHIEF FINANCIAL OFFICERUNDERSECTION 302 OF THE SARBANES-OXLEY ACTÂ I,Judy Krandel, certify that:Â 1.I have reviewed this Quarterly Report on Form 10-Q of Nephros, Inc.Â 2.Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessaryto make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to theperiod covered by this report;Â 3.Based on my knowledge, the financial statements and other financial information included in this report,

fairly present in all materialrespects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in thisreport;Â 4.The registrantâ€™s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures(as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange ActRules 13a-15(f) and 15d-15(f)) for the registrant and have:Â a.Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision,to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by otherswithin those entities, particularly during the period in which this report is being prepared;Â b.Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed underour supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statementsfor external purposes in accordance with generally accepted accounting principles;Â c.Evaluated the effectiveness of the registrantâ€™s disclosure controls and procedures and presented in this report our conclusionsabout the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation;andÂ d.Disclosed in this report any change in the registrantâ€™s internal control over financial reporting that occurred during the registrantâ€™smost recent fiscal quarter (the registrantâ€™s fourth fiscal quarter in the case of an annual report) that has materially affected,or is reasonably likely to materially affect, the registrantâ€™s internal control over financial reporting; andÂ 5.The registrantâ€™s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financialreporting, to the registrantâ€™s auditors and the audit committee of the registrantâ€™s board of directors (or persons performingthe equivalent functions):Â a.All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which arereasonably likely to adversely affect the registrantâ€™s ability to record, process, summarize and report financial information;andÂ b.Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrantâ€™sinternal control over financial reporting.Â Date: August 8, 2024 By: /s/ Judy Krandel Â Name: Judy Krandel Â Title: Chief Financial Officer (Principal Financial and Accounting Officer) Â Â Â
Â Exhibit32.1Â CertificationPursuant to Section 906 of the Sarbanes-Oxley Act of 2002Â Inconnection with the Quarterly Report on Form 10-Q of Nephros, Inc. (the â€œCompanyâ€) for the period ended June 30, 2024 asfiled with the Securities and Exchange Commission on the date hereof (the â€œReportâ€), pursuant to 18 U.S.C. Section 1350,as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, Robert Banks, President, Chief Executive Officer of the Company,certifies that:Â 1. the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and Â Â 2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company. Â By: /s/ Robert Banks Â Name: Robert Banks Â Title: President, Chief Executive Officer (Principal Executive Officer) Â Â Â Â Dated: August 8, 2024 Â Â Â
Â Exhibit32.2Â CertificationPursuant to Section 906 of the Sarbanes-Oxley Act of 2002Â Inconnection with the Quarterly Report on Form 10-Q of Nephros, Inc. (the â€œCompanyâ€) for the period ended June 30, 2024 asfiled with the Securities and Exchange Commission on the date hereof (the â€œReportâ€), pursuant to 18 U.S.C. Section 1350,as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, Judy Krandel, Chief Financial Officer of the Company, certifiesthat:Â 1. the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and Â Â 2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company. Â By: /s/ Judy Krandel Â Name: Judy Krandel Â Title: Chief Financial Officer (Principal Financial and Accounting Officer) Â Â Â Â Date: August 8, 2024 Â Â Â Â