MPHASE TECHNOLOGIES INC
Form 10-Q/A
January 28, 2004

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

AMENDMENT NO. 1 TO

FORM 10-Q/A

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)

OF THE SECURITIES EXCHANGE ACT OF 1934.

FOR THE QUARTER ENDED SEPTEMBER 30, 2002

COMMISSION FILE NO.000-24969

mPhase Technologies, Inc.

(Exact name of registrant as specified in its charter)

NEW JERSEY	22-2287503
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
587 CONNECTICUT AVE., NORWALK, CT	06854-1711
(Address of principal executive offices)	(Zip Code)

ISSUER'S TELEPHONE NUMBER, (203) 838-2741

INDICATE BY CHECK MARK WHETHER THE REGISTRANT (1) HAS FILED ALL REPORTS REQUIRED TO BE FILED BY SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934, DURING THE PRECEDING 12 MONTHS (OR FOR SHORTER PERIOD THAT THE REGISTRANT WAS REQUIRED TO FILE SUCH REPORT), AND (2) HAS BEEN SUBJECT TO SUCH FILING REQUIREMENTS FOR THE PAST 90 DAYS. YES /X/ NO / /

THE NUMBER OF SHARES OUTSTANDING OF EACH OF THE REGISTRANT'S CLASSES OF COMMON STOCK AS OF NOVEMBER 11, 2002 IS 65,880,841 SHARES, ALL OF ONE CLASS OF $.01 STATED VALUE COMMON STOCK.

mPHASE TECHNOLOGIES, INC.

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mPHASE TECHNOLOGIES, INC.
(A Development Stage Company)
Consolidated Balance Sheets

	June 30, 2002	September 30 2002 (Unaudited)
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 47,065	$ 4,12
Accounts receivable, net of bad debt reserve of $2,906 in each period	273,780	118,83
Inventories, net	3,342,716	3,182,02
Prepaid expenses and other current assets	830,589	553,27
Total Current Assets	4,494,150	3,858,26
Property and equipment, net	1,742,186	1,457,63
Patents and licensing rights, net	685,349	612,04
Other Assets	20,830	19,20
TOTAL ASSETS	6,942,515	5,947,15
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	2,819,245	2,691,13
Accrued expenses	673,065	671,81
Due to related parties	35,000	35,00
Notes payable, current	353,339	370,80
Deferred revenue	214,180	214,18
TOTAL CURRENT LIABILITIES	4,094,829	3,982,94
Long-term debt, net of current portion	1,014,218	1,001,20
Other Liabilities	1,211,249	1,211,24
Other Liabilities, related parties	665,068	--
COMMITMENTS AND CONTINGENCIES (Note 9)		
STOCKHOLDERS' EQUITY		
Common stock, stated value $.01, 150,000,000 shares authorized; 60,807,508 and 65,880,841 shares issued and outstanding at June 30, 2002 and September 30, 2002, respectively	608,075	658,80
Additional paid in capital	100,751,284	102,274,06

Deferred compensation	(23,923)	(1,40
Deficit accumulated during development stage	(101,366,286)	(103,158,34
Unrecognized capital losses	(4,026)	(13,39
Less-Treasury stock, 13,750 shares at cost	(7,973)	(7,97
TOTAL STOCKHOLDERS' (DEFICIT) EQUITY	(42,849)	(248,23
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 6,942,515	$ 5,947,15

The accompanying notes are an integral part of these consolidated balance sheets.

mPHASE TECHNOLOGIES, INC.
(A Development Stage Company)
Consolidated Statements of Operations
(Unaudited)

	For the Three Months Ended September 30, 2001	2002	October Date Incepti Septemb 200
REVENUES	$ 537,008	$ 210,077	$ 13,5
COSTS AND EXPENSES			
Cost of Sales (see note 2--related party transactions)	456,699	197,319	8,5
Research and development (including non-cash stock related charges of $167,770, $43,750, and $1,703,924, respectively, see note 2--related party transactions)	1,111,416	803,294	31,6
General and Administrative (including non-cash stock related charges of $1,159,855, $226,300, and $45,537,809, respectively, see note 2--related party transactions)	2,861,588	892,782	73,0
Depreciation and amortization	193,079	130,729	2,3
TOTAL COSTS AND EXPENSES	4,622,782	2,024,124	115,6
LOSS FROM OPERATIONS	(4,085,774)	(1,814,047)	(102,0

OTHER INCOME (EXPENSE):			
Gain on extinguishments	32,528	40,725	1
Minority interest loss in consolidated subsidiary	--	--	
Loss from unconsolidated subsidiary	--	--	(1,4
Interest Income (expense), net	(10,087)	(18,735)	1
TOTAL OTHER INCOME (EXPENSE)	22,441	21,990	(1,1
NET LOSS	$ (4,063,333)	$ (1,792,057)	$(103,1
Unrealized holding loss on securities	--	(9,368)	(
COMPREHENSIVE LOSS	$ (4,063,333)	$ (1,801,425)	$(103,1
LOSS PER COMMON SHARE, basic and diluted	$ (.10)	$ (.03)	
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING, basic and diluted	42,037,506	60,881,131	

The accompanying notes are an integral part of these consolidated balance sheets.

mPHASE TECHNOLOGIES, INC.
(A DEVELOPMENT STAGE COMPANY)
CONSOLIDATED STATEMENT OF CHANGES IN
SHAREHOLDERS' EQUITY (DEFICIT)
For the three months ended September 30, 2002 (unaudited)

	Common Stock					
	Shares	$.01 Stated Value	Treasury Stock	Additional Paid-in Capital	Deferred Compensation	Accumulat Defici
Balance June 30, 2002	60,807,508	$608,075	$(7,973)	$100,751,284	$(23,923)	$(101,366,
Issuance of						

Common stock for services	200,000	2,000	-	46,000	-	
Amortization of deferred employee stock option compensation	-	-	-	-	22,520	
Issuance of common stock in settlement of debt	340,000	3,400	-	61,200	-	
Issuance of warrants to certain Officers in settlement of debt	-	-	-	480,917	-	
Issuance of Common stock in settlement of debt to related parties	4,533,333	45,333	-	934,667	-	
Net Loss	-	-	-	-		(1,792,
Other Comprehensive Loss	-	-	-	-	-	
Balance, September 30,2002	65,880,841	$658,808	$(7,973)	$102,274,068	$ (1,403)	$(103,158,

The accompanying notes are an integral part of these consolidated balance sheets.

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mPhase TECHNOLOGIES, INC.
(A Development Stage Company)
Consolidated Statements of Cash Flows
(Unaudited)

	For the Three Months Ended September 30, 2001	2002
Cash Flow From Operating Activities:		
Net Loss	$ (4,063,333)	$ (1,792,057)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	427,132	380,563
Book Value of fixed assets disposed	--	--
Provision for doubtful accounts	--	--
Gain on debt extinguishments	(32,528)	(40,725)
Loss on unconsolidated subsidiary	--	--

Impairment of note receivable	--	--
Non-cash charges relating to issuance of common stock, common stock options and Warrants	1,327,625	270,050
Changes in assets and liabilities:		
Accounts receivable	(121,778)	154,944
Inventories	68,251	160,690
Prepaid expenses and other current assets	133,158	24,662
Other non-current assets	37,500	1,623
Accounts payable	363	44,567
Accrued expenses	554,753	(1,248)
Due to/from related parties (see note 2--related party transactions)	1,016,280	364,938
Receivables from Subsidiary	--	--
Deferred revenue	156,180	--
Net cash used in operating Activities	(496,397)	(431,993)
Cash Flow from Investing Activities:		
Payments related to patents and licensing rights	(840)	--
Purchase of fixed assets	(27,864)	--
Net Cash used in investing activities	(28,704)	--
Cash Flow from Financing Activities:		
Proceeds from issuance of common stock and exercises of options and warrants	525,000	--
Advances from related parties	--	418,750
Payments of notes payable	--	(29,697)
Repurchase of treasury stock at cost	--	--
Net cash provided by financing activites	525,000	389,053
Net increase (decrease) in cash	(101)	(42,940)
CASH AND CASH EQUIVALENTS, beginning of period	31,005	47,065
CASH AND CASH EQUIVALENTS, end of period	$ 30,904	$ 4,125

The accompanying notes are an integral part of these consolidated balance sheets.

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mPHASE TECHNOLOGIES, INC.
(A DEVELOPMENT STAGE COMPANY)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF OPERATIONS-mPhase Technologies, Inc. (the "Company") was organized on October 2, 1996. On February 17, 1997, the Company acquired Tecma

Laboratories, Inc. ("Tecma") in a transaction accounted for as a reverse merger. On June 25, 1998, the Company acquired Microphase Telecommunications, Inc. ("MicroTel"), through the issuance of 2,500,000 shares of its common stock in exchange for all the issued and outstanding shares of MicroTel. The assets acquired in this acquisition were patents related to the mPhase line of DSL component products (e.g., POTS Splitters) and patent applications utilized in the Company's proprietary Traverser(TM) Digital Video Data Delivery System ("Traverser(TM)).

The primary business of the Company is to design, develop, manufacture and market high-bandwidth telecommunication products incorporating digital subscriber line ("DSL") technology. The present activities of the Company are focused on the deployment of its proprietary Traverser(TM) System, which delivers MPEG2, non-Internet Protocal-based television, high-speed Internet and voice over copper wire. Additionally, the Company sells a line of DSL component products.

The Company is in the development stage, as defined by Statement of Financial Accounting Standards ("SFAS") No. 7, "Accounting and Reporting by Development Stage Enterprises." and its present activities are focused on the commercial deployment of its proprietary Traverser(TM) and associated DSL component products. Since mPhase is in the development stage, the accompanying consolidated financial statements should not be regarded as typical for normal operating periods.

BASIS OF PRESENTATION-The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and pursuant to the regulations of the Securities Exchange Commission. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three months ending September 30, 2002 are not necessarily indicative of the results that may be expected for a full fiscal year. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the year ended June 30, 2002.

Through September 30, 2002, the Company had incurred development stage losses totaling approximately $103,158,343. At September 30, 2002, the Company had approximately $4,125 of cash, cash equivalents and approximately $118,836 of trade receivables to fund short-term working capital requirements. The Company's ability to continue as a going concern and its future success is dependent upon its ability to raise capital in the near term to: (1) satisfy its current obligations, (2) continue its research and development efforts, and (3) the successful wide scale development, deployment and marketing of its products.

USE OF ESTIMATES-The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

RECLASSIFICATIONS-Certain reclassifications have been made in the prior period consolidated financial statements to conform to the current period presentation.

LOSS PER COMMON SHARE, BASIC AND DILUTED - The Company accounts for net loss per common share in accordance with the provisions of SFAS No. 128, "EARNINGS PER SHARE". ("EPS"). SFAS No. 128 requires the disclosure of the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the entity. Common equivalent shares have been excluded from the computation of diluted EPS for all periods presented since their affect is antidilutive.

RESEARCH AND DEVELOPMENT-Research and development costs are charged to operations as incurred.

INVENTORY RESERVE AND VALUATION ALLOWANCE-The Company carries its inventory at the lower of cost, determined on a first-in, first-out basis, or market. Inventory consists mainly of the Company's POTS Splitter Shelf and Filters. In determining the lower of cost or market, the Company periodically reviews and estimates a valuation allowance to reserve for technical obsolescence and marketability. The allowance represents management's assessment and reserve for the technical obsolescence based upon the inter-operability of its component products, primarily filters and splitters, with presently deployed and next generation DSL infrastructures as well as a reserve for marketability based upon current prices and the overall demand for the individual inventory items. Material changes in either the technical standards of future DSL deployments or further erosion in the demand for deployments of DSL infrastructures could affect the estimates and assumptions resulting in the amounts reported. Actual results could differ from these estimates.

REVENUE RECOGNITION-All revenue included in the accompanying consolidated statements of operations for all periods presented relates to sales of mPhase's line of POTS Splitter products and other related DSL component products. As required, the Company adopted the Securities and Exchange Commission ("SEC") Staff Accounting Bulletin ("SAB") No. 101, REVENUE RECOGNITION IN FINANCIAL STATEMENTS, which provides guidance on applying generally accepted accounting principles to revenue recognition based on the interpretations and practices of the SEC. The Company recognizes revenue for its line of POTS Splitter products and other DSL component products at the time of shipment, at which time, no other significant obligations of the Company exist, other than normal warranty support. In addition, the Company includes costs of shipping and handling billed to customers in revenue and the related expenses of shipping and handling costs is included in cost of sales.

RECENT ACCOUNTING PRONOUCEMENTS - In July 2001, the Financial Accounting Standards Board, ("FASB") issued SFAS No. 141, "Business Combinations" and SFAS No. 142, "Goodwill and Other Intangible Assets". SFAS No. 141 requires all business combinations initiated after June 30, 2001 to be accounted for using the purchase method. Under SFAS No. 142, goodwill and intangible assets with indefinite lives are no longer amortized but are reviewed annually (or more frequently if impairment indicators arise) for impairment.

Separable intangible assets that are not deemed to have indefinite lives will continue to be amortized over their useful lives (but with no maximum life). The amortization provisions of SFAS No. 142 apply to goodwill and intangible assets acquired after June 30, 2001. With respect to goodwill and intangible assets acquired prior to July 1, 2001, the Company was required to adopt SFAS No. 142 effective July 1, 2002 and has done so. Effective July 1, 2002, the Company adopted SFAS Nos. 141 and 142. SFAS No.142 eliminates amortization of goodwill and certain other intangible assets, but requires annual testing for impairment (comparison of fair market value to carrying value). Fair value is estimated using the present value of expected future cash flows and other measures. The adoption of SFAS Nos. 141 and 142 did not have a material impact on our financial statements.

In August 2001, the FASB issued FASB No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets". This statement addresses financial accounting and reporting for the impairment or disposal of long-lived assets. SFAS No. 144 supersedes SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of", and provides guidance on classification and accounting for such assets when held for sale or abandonment. SFAS No. 144 is effective for fiscal years beginning after December 15, 2001, and as such became applicable to the Company effective July 1, 2002. The adoption of SFAS No. 144 has not resulted in any adjustments to the carrying values of the Company's Long-Lived Assets.

In April 2002, the FASB issued SFAS No. 145 "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13 and Technical Corrections," which rescinds SFAS No. 4 and SFAS No. 44 and SFAS No. 64, which relates to circumstances whereby the Company would determine when settlement of debt or other liabilities would be considered extraordinary or recurring. The Company has adopted the relevant provisions of SFAS No. 145 and that adoption of SFAS No. 145 has not had a material effect on the Company's results of operations of financial position.

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation-Transition and Disclosure", which provides alternative methods of transition for a voluntary change to fair value based method of accounting for stock-based employee compensation as prescribed in SFAS No. 123, "Accounting for Stock-Based Compensation". Additionally, SFAS No. 148 required more prominent and more frequent disclosures in financial statements about the effects of stock-based compensation. The provisions of this Statement are effective for fiscal years ending after December 15, 2002, with early application permitted in certain circumstances. Financial Accounting Statement No. 123, "Accounting for Stock-Based Compensation", encourages, but does not require companies to record compensation cost for stock-based employee compensation plans at fair value. The Company has chosen to continue to account for stock-based compensation using the intrinsic method prescribed in Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees, and related interpretations. Accordingly, compensation cost for stock options is measured as the excess, if any, of the quoted market price of the Company's stock at the date of the grant over the amount an employee must pay to acquire the stock. The Company has adopted the "disclosure only" alternative described in SFAS No. 123 and SFAS No. 148, which requires pro forma disclosures of net income and earnings per share as if the fair value method of accounting had been applied on an annual basis beginning with the current fiscal year which will end June 30, 2003.

STATEMENT OF CASH FLOW SUPPLEMENTAL INFORMATION

	September 30, 2001	September 30, 2002
Interest paid	$10,087	$ 2,803
Taxes Paid	$ --	$ --

2. RELATED PARTY TRANSACTIONS

The Company records material related-party transactions. mPhase's President, Executive Vice President and Chairman of the Board of the Company are also executive officers of Microphase. On May 1, 1997, the Company entered into an agreement with Microphase, whereby it will use office space as well as the administrative services of Microphase, including the use of accounting personnel. This agreement was for $5,000 per month and was on a month-to-month basis. In July 1998, the office space agreement was revised to $10,000, in January 2000 to $11,050 per month, in July 2001 to $11,340, and in July 2002 to $12,200 per month. Additionally, in July 1998, mPhase entered into an agreement with Microphase, whereby mPhase reimburses Microphase $40,000 per month for technical research and development assistance including engineering design and production of prototypes. Microphase also charges fees for specific projects on a project-by-project basis. During the three months ended September 30, 2001 and 2002 and for the period from inception (October 2, 1996) to September 30, 2002, $258,287, $253,980, and $6,830,404, respectively, have been charged to expense or inventory under these Agreements and is included in operating expenses in the accompanying consolidated statements of operations. In addition, Microphase advanced $418,750 for the three months ended September 30, 2002.

The Company is obligated to pay a 3% royalty to Microphase on revenues from its proprietary Traverser(TM) Digital Video and Data Delivery System and DSL component products. The three months ended September 30, 2001 and 2002, mPhase recorded royalties to Microphase totaling $16,409 and $6,302, respectively. For the year ended June 30, 2002, in consideration for a direct investment of $100,000 and pursuant to debt conversion agreements, Microphase received 2,900,000 shares of mPhase common stock and 2,200,000 warrants to purchase mPhase common stock. Subsequent to September 30, 2002, the Company issued 3,033,333 shares of its Common Stock in settlement of all amounts outstanding and due to Microphase through September 30, 2002. For accounting purposes these have been reflected as of September 30, 2002.

As a result of the foregoing transactions as of September 30, 2002, the Company had no amounts payable to Microphase. Additionally, at September 30, 2002, approximately $142,000 of undelivered purchase orders remain outstanding to Microphase.

2. RELATED PARTY TRANSACTIONS (CONTINUED)

The Company purchases products and incurs certain research and development expenses with Janifast Ltd., which is owned by U.S. Janifast

Holdings, Ltd. (a company in which Mr. Durando, Mr. Dotoli, and Mr. Ergul are significant shareholders and Mr. Durando is Chairman of the Board) in connection with the manufacturing of POTS Splitter shelves and component products including cards and filters sold by the Company. For the year ended June 30, 2002, pursuant to debt conversion agreements, Janifast Ltd. received 3,450,000 shares of mPhase common stock and 1,200,000 warrants to purchase the Company's common stock. Subsequent to September 30, 2002, the Company issued 1,500,000 shares of its Common Stock in settlement of all amounts outstanding and due to Janifast Ltd. through September 30, 2002. For accounting purposes these have been reflected as of September 30, 2002. During the three months ended September 30, 2001 and 2002 and the period from inception (October 2, 1996 to September 30, 2002) $332,363, $0 and $10,698,480, respectively have been charged to inventory or expense and is included in operating expenses in the accompanying statements of operations. Additionally, at September 30, 2002, approximately $1,614,000 of undelivered purchase orders remain outstanding to Janifast Ltd.

The Company has also incurred charges for beta testing and on-site marketing, including the display of a live working model at Hart Telephone. In addition, the Company has entered into a supply agreement with Hart Telephone, which is scheduled to commence upon the commercial production of the Traverser(TM). A member of mPhase's board of directors is employed by Lintel, Inc., the parent corporation of Hart Telephone. Lintel Corporation is a significant shareholder in mPhase.

The Company has incurred costs for obtaining transmission rights. This enabled the Company to obtain re-transmission accreditation to proprietary television content that the Company plans to provide with its flagship product, the Traverser(TM) within its incorporated joint venture mPhase Television.net, in which the Company owns a 56.5% interest.

As consideration for a letter of settlement with a former consultant of mPhase, the Company had loaned the former consultant $250,000 in the form of a Note ("Note"), secured by 75,000 shares of the former consultants common stock of mPhase. The Note was due April 7, 2001. Accordingly, during the year ended June 30, 2001 and 2002, the Company charged $212,500 and $20,250, respectively, to administrative expense as a result of impairment of the Note. At September 30, 2002, the Company has included the residual balance of $17,250, representing the estimated fair value of the underlying stock, in long-term assets in the accompanying consolidated balance sheet.

Management believes the amounts charged to the Company by Microphase, Janifast, mPhase Television.net and Hart Telephone are commensurate to amounts that would be incurred if outside parties were used. The Company believes Microphase, Janifast and Hart Telephone have the ability to fulfill their obligations to the Company without further support from the Company.

Effective March 31, 2002, the Company converted $420,872 of liabilities due to Piper Rudnick LLP, outside legal counsel to mPhase into a warrant to purchase up to a total of 1,683,490 shares of the Company's common stock, which pursuant to EITF 96-18, has an approximate value of $.30 per share; and a warrant to purchase 550,000 shares of the Company's common stock at an exercise price of $.30 per share pursuant to the terms of payment agreement. In addition Piper agreed to accept a Promissory note for $420,872 of current payables at an interest rate of 8% with payments of $5,000 per month commencing June 1, 2002 and continuing through December 1, 2003, with a final payment of principal plus accrued interest due at maturity on December 31, 2003.

3. INVENTORIES

Inventory is stated at the lower of cost, determined on a first-in, first-out basis, or market. Inventory consists mainly of the Company's POTS Splitter shelves and cards. At September 30, 2002 inventory is comprised of the following:

Raw materials	$ 266,748
Work in progress	1,037,987
Finished goods	3,124,466
Total	4,429,201
Less: Reserve for Obsolescence	(1,247,175)
Net Inventory	$ 3,182,026

4. INCOME TAXES

The Company accounts for income taxes using the asset and liability method in accordance with SFAS No. 109 "ACCOUNTING FOR INCOME TAXES". Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Because of the uncertainty as to their future realizability, net deferred tax assets, consisting primarily of net operating loss carryforwards, have been fully reserved for. Accordingly, no income tax benefit for the net operating loss has been recorded in the accompanying consolidated financial statements.

Utilization of net operating losses generated through September 30, 2002 may be limited due to changes in ownership that have occurred.

5. ACCRUED EXPENSES

Accrued expenses representing accrued general and administrative expenditures were $673,065 for June 30, 2002 and $671,818 for September 30, 2002.

6. JOINT VENTURE

In March 2000, mPhase acquired a 50% interest in mPhaseTelevision.Net pursuant to a Joint Venture Agreement (the "Agreement") for $20,000. The agreement stipulates for mPhase's joint venture partner, AlphaStar International, Inc., ("Alphastar"), to provide mPhaseTelevision.Net right of first transmission for its transmissions including MPEG-2 digital satellite television. In addition, in March 2000, mPhase loaned the joint venture $1,000,000 at 8% interest per annum. The loan is repayable to the Company from equity infusions to the subsidiary, no later than such time that mPhaseTelevision.Net qualifies for a NASDAQ Small Cap Market Listing. During April 2000, the Company acquired an additional 6.5% interest in mPhaseTelevision.Net for $1,500,000.

During the three months ended September 30, 2001 and ended September 30, 2002, mPhaseTelevision.Net, Inc., was charged $35,608 and $0, respectively for fees and costs by its joint venture partner and its affiliates.

Pursuant to an agreement dated as of June 18, 2002, mPhaseTelevision.Net has terminated its lease of the earth station and Alphastar and its affiliated entity have converted certain accounts payable into shares of the Company's common stock. Additionally, under this Agreement, mPhase is obligated to pay Alphastar and its affiliates $35,000, which is included in amounts due to related parties in the accompanying consolidated balance sheet.

7. EQUITY TRANSACTIONS

During the three months ending September 30, 2002, the Company granted 200,000 shares of its common stock to consultants for services performed. Additionally, effective for the three months ended September 30, 2002, the Company issued 4,873,333 shares of the Company's Common Stock and 2,491,800 warrants in connection with the extinguishments of debt.

8. DEBT EXTINGUISHMENTS

Effective for the three months ending September 30, 2002, pursuant to debt conversion agreements, the Company converted the $1,566,242 of liabilities due to certain strategic vendors and related parties into 4,873,333 shares of the Company's common stock, and 2,491,800 warrants.

Related parties and strategic vendors converted debt aggregating approximately $620,000 and $477,242 respectively into approximately 3,033,333 and 1,840,000 shares of common stock respectively, the value of which was based upon the price of the Company's common stock on the effective date of settlement with each party. Additionally, two warrants to purchase 2,491,800 shares of common stock were issued to the Company's president and vice-president to settle outstanding indebtedness of approximately $469,000 as of September 30, 2002. The aggregate value of such warrants was estimated using the Black Scholes options pricing model, assuming an annual expected return of 0%, annual Beta volatility of 125.4 and a risk-free interest rate of 2.4% pursuant to EITF 96-18, for the aggregate conversion of $1,566,242 of such liabilities which resulted in an aggregate gain on extinguishments of $40,725.

9. COMMITMENTS AND CONTINGENCIES

The Company has entered into various agreements with Georgia Tech Research Corporation ("GTRC"), pursuant to which the Company receives technical assistance in developing the commercialization of its Digital Video and Data Delivery System (DVDDS). The amounts incurred by the Company for GTRC technical assistance with respect to its research and development activities and included in the accompanying consolidated statement of operations for the three months ending September 30, 2001 and 2002 and for the period from inception through September 30, 2002 totaled approximately $250,000, $100,000 and $13,524,300, respectively.

If and when sales commence utilizing this particular technology, the

Company will be obligated to pay to GTRC a royalty of up to 5% of product sales, as defined.

From time to time, the Company may be involved in various legal proceedings and other matters arising in the normal course of business. The Company currently has no material outstanding legal proceedings.

10. Subsequent Events

Pursuant to commitments by related parties to concurrently convert certain liabilities on October 11, 2002, the Company entered into, subject to the Company's and the counter parties respective board of director's approval, an agreement in principle with the Company's officers and affiliates, including Janifast Ltd. and Microphase Corporation, to convert up to an amount equal to the unpaid compensation and accounts payable through September 30, 2002. The Company issued warrants to purchase 2,491,800 shares of the Company's common stock at an exercise price of $.01, valued at $480,917, or $.193 per share pursuant to ETIF 98-16, for the cancellation of unpaid compensation due to officer's, with a measurement date of October 14, 2002 pursuant to ETIF 0019, and 4,533,333 shares of its common stock for the conversion of $980,000 due to related parties, with respective measurement dates of October 14 and 15, 2002 pursuant to ETIF 0019. The Company's board of director's approved these transactions on October 30, 2002 and the warrants and shares were issued on November 11 and 12, 2002. The warrants were calculated using the Black-Schoales pricing model, assuming an annual expected return of 0%, a Beta volatility of 125.4 and a risk free interest rate of 5.9% pursuant to ETIF 96-18 and were treated as permanent equity as of September 30, 2002 pursuant to ETIF 00-19. The shares are reflected outstanding as of September 30, 2002 pursuant to AU 560 and SFAS 128.

The Company entered into a memorandum of intention with Georgia Tech Research Corporation, (GTRC), and its affiliate, Georgia Tech Applied Research Corporation, (GTRAC), on October 14, 2002, which memorandum was revised on November 12, 2002 and is subject to the approval of the respective board of directors of the parties thereto and the exchange of mutual releases. The memorandum provides for the settlement of any and all amounts outstanding to GTRC and GTRAC through September 30, 2002, in consideration for two term notes totaling $624,235 with interest at 7% and varied payments through 2007 and the issuance of an amount of warrants to purchase shares of the Company's common stock through 2007, at a price and formula yet to be agreed upon. In the accompanying balance sheet for September 30, 2002 the Company has reclassified $624,235 and $1,211,249 of accounts payable and accrued expenses due to GTRC and GTRAC to long term debt and other liabilities for the amounts expected to be converted to notes payable and equity, respectively.

11. RESTATEMENT

Management has reevaluated the adequacy and completeness of certain disclosures in the accompanying consolidated financial statements. As a result of this reevaluation, management has reissued the September 30, 2002 consolidated financial statements in an effort to clarify and more completely disclose the Company's presentation of the consolidated financial statements at September 30, 2002.

The aforementioned changes to the consolidated financial statements have no effect on the financial position and results of operations for the three months ended September 30, 2002.

(A DEVELOPMENT STAGE COMPANY)

ITEM 2 MANAGEMENT'S DISCUSSION OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

The following is management's discussion and analysis of certain significant factors, which have affected mPhase's financial position and should be read in conjunction with the accompanying financial statements, financial data, and the related notes.

CAUTIONARY STATEMENT PURSUANT TO SAFE HARBOR PROVISIONS OF THE PRIVATE LITIGATION REFORM ACT OF 1995:

Some of the statements contained in or incorporated by reference in this Form 10-Q discuss the Company's plans and strategies for its business or state other forward-looking statements, as this term is defined in the Private Securities Litigation Reform Act of 1995. The words "anticipate," "believe," "estimate," "expect," "plan," "intend," "should," "seek," "will," and similar expressions are intended to identify these forward-looking statements, but are not the exclusive means of identifying them. These forward-looking statements include, among others, statements concerning the Company's expectations regarding its working capital requirements, gross margin, results of operations, business, growth prospects, competition and other statements of expectations, beliefs, future plans and strategies, anticipated events or trends, and similar expressions concerning matters that are not historical facts. Any forward-looking statements contained in this Quarterly Report on Form 10-Q are subject to risks and uncertainties that could cause actual results to differ materially from those results expressed in or implied by the statements contained herein.

ABOUT THIS AMENDMENT

Management has reevaluated the clarity and completeness of the Form 10Q/A and certain disclosures in the accompanying unaudited consolidated financial statements. As a result of this reevaluation, management has reissued the Form 10Q/A and the September 30, 2002 consolidated financial statements.

The amendment includes expanded and clarified disclosure in the Consolidated Financial Statements, including notes 10, and 11 for the Three Months Ended September 30, 2001 and 2002 beginning on page 10, and reclassifications of previously segregated expenses for non-cash stock based compensation of administrative employees now combined with general and administrative for both quarterly periods and Cumulative totals through September 30, 2002. Additionally, the amendment includes technical and clerical edits, expanded and clarified disclosure in "Management's Disclosure and Analysis", which begins on page 11, as well as updated certifications by the certifying officers' of the Company.

The aformentioned changes to the consolidated financial statements have no effect on the financial position at September 30, 2002, or results of operations and loss per share for the Three Months Ended September 30, 2001 and 2002.

RESULTS OF OPERATIONS

OVERVIEW

mPhase is a development stage company headquartered in Norwalk, Connecticut. We develop and sell broadband communications products, specifically, DSL (Digital Subscriber Line) products, to telecommunication providers around the world. mPhase's business can be segmented into two areas of concentration: (1) Its principal product, the Traverser(TM) Digital Video and Data Delivery System (DVDDS) and (2) its line of DSL component products.

Our principal product, the Traverser(TM) DVDDS enables telecommunications service providers to simultaneously deliver broadcast digital television, high-speed Internet access and voice services over the existing copper telephone wire infrastructure utilizing Asymetric DSL technology. Communications service providers deploying the Traverser system can provide each service a la carte or as a bundled package of services. We principally market the Traverser(TM) system abroad, as well as to independent, domestic telephone companies operating in rural markets. We believe the Traverser(TM) system offers the most cost-effective and reliable solution for the delivery of integrated television, data and voice services.

In addition to the Traverser(TM), mPhase also designs and sells a line of DSL component products that include microfilters, line extenders and POTS (plain old telephone service) Splitters that are devices placed in a telephone company's central office or exchange that enable voice and data to be transmitted together simultaneously over the same telephone lines. mPhase has recently developed two new products called the Intelligent POTS Splitter and Universal Bypass respectively, each of which is designed to enable a telephone company to trouble-shoot and maintain DSL lines from a telephone company's central office without the need to deploy personnel on a "truckroll" thereby saving costs.

mPhase was organized on October 2, 1996. On February 17, 1997, the Company acquired Tecma Laboratories, Inc., a public corporation in a reverse merger transaction. This resulted in the Company's stock becoming publicly traded on the NASDAQ Over-the-Counter Bulletin Board. On June 25, 1998, the Company acquired Microphase Telecommunications, Inc. in a stock for stock exchange, whose principal assets included patents and patent applications utilized in the Company's Traverser(TM) product. On March 2, 2000, mPhase acquired an interest in mPhaseTelevision.Net, Inc., a joint venture organized to provide digital television programming content to service providers deploying television over DSL.

From mPhase's inception, the operating activities related primarily to research and development, establishing third-party manufacturing and distribution relationships and developing product brand recognition among telecommunications service providers. These activities included establishing trials and field tests of the Traverser(TM) product with Hart Telephone Company in Georgia, and establishing a core administrative and sales organization.

Revenues. To date, all material revenues have been generated from sales of the POTS Splitter Shelves and other DSL component products to a small number of telecommunications companies. mPhase believes that future revenues are difficult to predict because of the length and variability of the commercial roll-out of the Traverser(TM) to various telecommunications service providers. Since the Company believes that there may be a significant international market for the Traverser(TM) involving many different countries, with different regulations, certifications and commercial practices than the United States, future revenues are highly subject to the changing variables and uncertainties. Additionally, the recent instability of the telecommunications market evidenced by reduction in capital spending across the whole telecom sector contributes to our difficulty in accurately predicting future revenues.

Cost of revenues. The costs necessary to generate revenues from the sale of POTS Splitter Shelves and other related DSL component products include direct material, labor and manufacturing. mPhase paid these costs to Janifast Ltd., which has facilities in the People's Republic of China and is owned by and managed by certain senior executives of the Company. The cost of revenues also includes certain royalties paid to Microphase Corporation, a privately held corporation organized in 1955, which shares certain common management with the Company. Costs for future production of the Traverser(TM) product will consist primarily of payments to manufacturers to acquire the necessary components and assemble the products and future patent royalties payable to Georgia Tech Research Corporation, ("GTRC").

Research and development. Research and development expenses consist principally of payments made to GTRC and Microphase Corporation for development of the Traverser(TM) product. All research and development costs are expensed as incurred.

General and administrative. Selling, general and administrative expenses consist primarily of salaries and related expenses for personnel engaged in direct marketing of the Traverser(TM), the POTS Splitter Shelves and other DSL component products, as well as support functions including executive, legal and accounting personnel. Certain administrative activities are outsourced on a monthly fee basis to Microphase Corporation. Finally, mPhase leases the principal office from Microphase Corporation.

Non-cash compensation charge. The Company makes extensive use of stock options and warrants as a form of compensation to employees, directors and outside consultants.

THREE MONTHS ENDED SEPTEMBER 30, 2002 VS. SEPTEMBER 30, 2001

REVENUE

Total revenues were $210,077 for the three months ended September 30, 2002 compared to $537,008 for the three months ended September 30, 2001. The decrease was primarily attributable to slowing sales of the Company's POTS Splitter product line, caused by the general downturn in the telecommunications market, including among customers that order component products from the Company. The Company continues to believe that its line of POTS Splitter products is positioned to be competitively priced with high reliability and connectivity, and as such has the potential to be a significant part of DSL deployment worldwide. The Company cannot say when the demand for telecommunication equipment will resume.

COST OF REVENUES

Cost of sales was $197,319 for the three months ending September 30, 2002 as compared to $456,699 in the prior period, representing 94% and 85%, for the quarters ended September 30, 2002 and 2001 respectively, of gross revenues. Cost of sales decreased, primarily as a result of the reduction in sales from the prior period. The margins have varied dramatically during the past 2 fiscal years as spending among the telecommunications providers has contracted, coupled with downward pressures related to the supply and demand of telecommunications products. Additionally, the Company has offered discounts to certain customers in the period ended September 30, 2002 causing the margin to decrease.

RESEARCH AND DEVELOPMENT

Research and development expenses were $803,294 for the three months ending September 30, 2002 as compared to $1,111,416 during the comparable period in 2001. Such expenditures include $100,000 incurred with GTRC for the three months ended September 30, 2002 as compared to $250,000 during the comparable period in 2001. In addition, we incurred $703,294 with Microphase and additional expenses with other strategic vendors for the three months ending September 30, 2002 as compared to $861,416 during the comparable period in 2001.

The decrease in research expenditures incurred with GTRC is due to the Company's nearing completion of the design and manufacture of prototypes of the set top box and the central office equipment associated with its Traverser(TM) product in 2002. The Company anticipates that upon completion of the Traverser(TM) set top box and central office equipment, overall research and development expenses will generally decline subject to periodic variations for product cost reduction and feature enhancement. The Company anticipates the completion of its flagship product line and a leveling off of research and development costs to reduce the demands on working capital and in turn, this will have a positive effect on the Company's financial position going forward.

Research expenditures incurred with Microphase were related to the continuing development of the Company's DSL component products, including the Company's line of POTS Splitters and Microfilters and the Company's newest products, the iPOTS(TM) and the mPhase Stretch. We believe the mPhase iPOTS(TM) offers a much needed solution for the DSL industry; the iPOTS(TM) enables telcos to remotely and cost-effectively perform loop management and maintenance including line testing, qualification and troubleshooting. Prior to the introduction of the iPOTS(TM), loop management could not be remotely performed through a conventional POTS Splitter without the use of expensive cross connects or relay banks because of the mandatory DC blocking capacitors in traditional POTS splitters, as required by the ITU, ANSI and ETSI. The unique (patent pending) iPOTS(TM) circuit allows most test heads to perform both narrow and wideband testing of the local loop through the central office POTS Splitter without having to physically disconnect the POTS Splitter, thereby eliminating the need to dispatch personnel and a truckroll. The Company anticipates future demand for this product, as it significantly reduces the cost of deploying and maintaining DSL services. Also recently developed is the DSL loop extender product called mPhaseStretch. This product extends the service distance for the mPhase Traverser(TM) and can be used in conjunction with other DSL services. The Company anticipates future demand for the Stretch loop extender product as it addresses a primary issue in DSL services.

GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses were $870,000 for the three month period ended September 30, 2002, a decrease of $1,773,826 from $2,644,088 for the comparable period in 2001. The decrease in selling, general and administrative costs included a decrease of (a) non-cash charges relating to the issuance of common stock and options to consultants by $738,575, (b) payroll by $125,000, (c) legal expenses by $130,000, (d) marketing expenses relating to trade shows by $110,000, (e) investment consulting expenses by $317,000 and (f) various other administrative expenses that aggregate $353,251.

NET LOSS

The Company recorded a net loss of $1,792,057 for the three months ended September 30, 2002 as compared to a loss of $4,063,333 for the three months ended September 30, 2001. This represents a loss per common share of $.03 for the three month period ended September 30, 2002 as compared to a loss per common share of $.10 for the three months ending September 30, 2001 based upon weighted average common shares outstanding of 60,881,131 and 42,037,506 during the periods ending September 30, 2002 and September 30, 2001, respectively.

LIQUIDITY AND CAPITAL RESOURCES

At September 30, 2002 mPhase had working capital deficit of $124,676 as compared to working capital of $399,321 at June 30, 2002. From its inception on October 2, 1996 through September 30, 2002, the Company has incurred development stage losses totaling approximately $103,158,343 and a stockholders' deficit of $248,237. Cumulatively, through September 30, 2002, the Company had negative cash flow from operations of approximately $42.4 million. At September 30, 2002, the Company had approximately $4,125 of cash, cash equivalents and approximately $118,836 of trade receivables to fund short-term working capital requirements. As of June 30, 2002, the Company's outside auditor's stated that there was "substantial doubt" regarding the Company's ability to continue as a "going concern". The Company's ability to continue as a going concern and its future success is dependent upon its ability to raise capital in the near term to: (1) satisfy its current obligations, (2) continue its research and development efforts, and (3) the successful wide scale development, deployment and marketing of its products.

Historically, mPhase has funded its operations and capital expenditures primarily through private placements of common stock. Management expects that its ongoing financial needs will be provided by financing activities and believes that the sales of its line of POTS Splitter products and other related DSL component products will provide some offset to cashflow used in operations, although there can be no assurance as to the level and growth rate of such sales in future periods as seen with quarter to quarter fluctuations in component sales. At September 30, 2002, the Company had cash and cash equivalents of $4,125 compared to $47,065 at June 30, 2002, accounts receivable of $118,836 and inventory of $3,182,026. This compared to $273,780 of accounts receivable and $3,342,716 of inventory at June 30, 2002.

Cash used in operating activities was $431,993 during the three months ending September 30, 2002. The cash used by operating activities principally consists of the net loss, the net decrease in inventory, the net decrease in accounts receivable offset by the increase in depreciation and amortization, and by non-cash charges for common stock options and warrants issued for services and increased accrued expenses.

The Company has entered into various agreements with GTARC, pursuant to which the Company receives technical assistance in developing the Digital Video and Data Delivery System. The Company has incurred expenses in connection with technical assistance from GTARC totaling approximately $250,000, $100,000, for the three month period ending September 30, 2001 and 2002, respectively, and $13,524,300 from the period from inception through September 30, 2002. The Company and GTRC entered into a Memorandum of Intent, on October 14, 2002 and revised on November 12, 2002, which would result in the settlement of all amounts outstanding equal to approximately $1,774,234.56 and the exchange of mutual releases in consideration for two term Notes totaling $624,235 with varied payments through 2007 and cancellation of approximately $1,050,000 of the amounts outstanding in exchange for warrants to purchase 4,569,252 at 1 cent per share plus a warrant to purchase another 2,000,000 shares of the Company's common stock at $.30 per share of the Company's common stock through 2007. mPhase is the sole, worldwide licensee of the technology developed by GTARC in conjunction with the Traverser(TM) product line. Upon completion of the commercial product, GTRC may receive a royalty of up to 5% of product sales.

During the three months ending September 30, 2002, certain strategic vendors and related parties converted approximately $1,566,000 of accounts payable and accrued expenses into 4,813,333 shares of the Company's common stock and 2,491,800 warrants. Fair value of the Common Stock and Warrants issued was called upon the fair market value of the Common Stock on September 30, 2002 of $.15 per share.

As of September 30, 2002, mPhase had no material commitments for capital expenditures.

LOSSES DURING THE DEVELOPMENT STAGE AND MANAGEMENT'S PLANS

The Company has incurred net losses totaling approximately $103 million during the development of its flagship product. In fiscal 2001, the Company had anticipated that the sales of its component products would be able to supplement the underwriting of the completion of our flagship product, the Traverser(TM). In fiscal 2002 these sales declined with the overall decline of DSL deployments and spending in the telephonic industry. The Company believes its new iPOTS product has the potential to capture some of the DSL market for new deployments, providing increases in revenue in the fourth quarter of fiscal 2003 and the first half of fiscal 2004. Until such time such revenues are realized, the Company intends on maintaining its reduced cost structure to minimize its losses, which management believes will permit the Company to ultimately achieve profitability.

The Company believes that it will be able to complete the necessary steps in order to meet its cash flow requirements throughout fiscal 2003 and continue its development and commercialization efforts. Management's plans in this regard include, but are not limited to the following:

1) We intend to continue to invest in technology and telecommunications hardware and software in connection with the full commercial production of the cost-reduced version of the Traverser(TM). Since we have strategically determined that the cost to a prospective telco to build a master head end is substantially reduced owing to new developments in technology, we have decided that mPhaseTV no longer requires access to a satellite uplink facility. Thus the amount of capital necessary to fund mPhaseTV and mPhase has been substantially reduced.

2) We continue our efforts to raise additional funds through private placements of our common stock and strategic alliances, the proceeds of which are required to fund continuing expenditures and the controlled development stage rollout of our Traverser(TM) Digital Video and Data Delivery System. However, there can be no assurance that mPhase will generate sufficient revenues to provide positive cash flows from operations or that sufficient capital will be available, when needed or at terms that we deem to be reasonable.

3) The Company believes the initial major deployments and resultant revenues of its Flagship product, the Traverser(TM), are expected in the first half of fiscal 2004, which along with any upturn of capital

spending in the telephone industry will increase sales and improve the Company's margins and provide the Company the opportunity to attain profitability.

We have evaluated our cash requirements for fiscal year 2003 based upon certain assumptions, including our ability to raise additional financing and increased sales of our POTS splitter. The Company anticipates that it will need to raise not less than $1.5 million primarily in private placements of its common stock with accredited investors, and/or a Rights Offering to all of the Company's current shareholders during the fiscal year which will end June 30, 2003, or alternatively we will need to curtail certain expenses as incurred at the present levels including marketing and research and development expenses. Additional investment in technology design to reduce the cost of the Traverser(TM) will be necessary over the next 12 months. In the long-term, the Company may invest additional funds annually on research and development of the Traverser(TM) product line based upon sales levels, changes to technology and the overall success of the Company attaining sufficient financing until such time as it achieves profitable operations.

Should these cash flows not be available to us, we believe we would have the ability to revise our operating plan and make certain further reductions in expenses, so that our resources available at June 30, 2002, plus financing to be secured during fiscal year 2003, and expected POTS splitter revenues, will be sufficient to meet our obligations until the end of fiscal year 2003. We have continued to experience operating losses and negative cash flows. To date, we have funded our operations with a combination of component sales debt conversions with related parties and strategic vendors, and private equity offerings. Management believes that we will be able to secure the necessary financing in the short-term to fund our operations into our next fiscal year. However, failure to raise additional funds, or generate significant cash flows through revenues, could have a material adverse effect on our ability to achieve our intended business objectives.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is not exposed to changes in interest rates as the Company has no debt arrangements and no investments in certain held-to-maturity securities. Under our current policies, we do not use interest rate derivative instruments to manage exposure to interest rate changes. A hypothetical 100 basis point adverse move in interest rates along the entire interest rate yield curve would not materially affect the fair value of any financial instruments at September 30, 2002.

ITEM 4. CONTROLS AND PROCEDURES

The Company's chief executive officer and chief financial officer have evaluated the controls and procedures within 90 days of the filing date of this quarterly report and concluded that the Company's disclosure controls and procedures were effective. There were no significant changes in the Company's internal controls subsequent to the date of the evaluation by such officers.

PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

mPhase was advised in April 2002 that following an investigation by the staff of the Securities and Exchange Commission, the staff intended to recommend that the Commission file a civil injunctive action against Packetport.com, Inc. ("Packetport") and its Officer's and Directors. Such recommendation related to alleged civil violations by Packetport and such Officers and Directors of various sections of the Federal Securities Laws. The staff has alleged civil violations of Sections 5 and 17(a) of the Securities Act of 1933 and Sections 10(b) and 13(d) of the Securities Exchanges Act of 1034. As noted in other public filings of mPhase, the CEO and COO of mPhase also serve as Directors and Officers of Packetport. At that time these persons advised mPhase that they deny any violation of law on their part and intend to vigorously contest such recommendation or action, if any. To date no action has been filed against Packetport, its Officers or Directors. mPhase is not named as a party in connection with this matter.

From time to time mPhase may be involved in various legal proceedings and other matters arising in the normal course of business.

ITEM 2. CHANGES IN SECURITIES

Effective for the three month period ended September 30, 2002 the Company issued the following unregistered securities:

During the three months ending September 30, 2002, the Company granted 200,000 shares of its common stock to consultants for services performed. Additionally, effective for the three months ended September 30, 2002, the Company issued 4,873,333 shares of the Company's Common Stock and 2,491,800 warrants in connection with the extinguishments of debt.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) EXHIBITS.

31.1 Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

31.2 Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

32.1 Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

32.2 Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

(b) Reports on Form 8-K.

Reported August 14, 2002, Notification of delay in Shareholders Rights Offering.

SIGNATURES

Pursuant to the requirements of the Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant, has duly caused this amended report to be signed on its behalf by the undersigned, thereunto duly authorized.

mPHASE TECHNOLOGIES, INC.

Dated: January 26, 2004

By: /s/ RONALD A. DURANDO

Ronald A. Durando
President, CEO

Pursuant to the requirements of the Securities and Exchange Act of 1934, this report has been signed by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.