MPHASE TECHNOLOGIES INC
Form 10-K
September 29, 2014

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES AND EXCHANGE ACT OF 1934 (NO FEE REQUIRED)

FOR THE YEAR ENDED **JUNE 30, 2014**

COMMISSION FILE NO. **000-30202**

mPHASE TECHNOLOGIES, INC.

(Name of issuer 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)

Registrant's telephone number, including area code: **(203) 838-2741**

SECURITIES REGISTERED PURSUANT TO SECTION 12(G) OF THE ACT:

COMMON STOCK, $.001 PAR VALUE

(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer as defined in Rule 405 of the Securities Act.

Yes o No x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes o No x

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 o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or such shorter period that the registrant was required to submit and post such files).

Yes o No o

Indicate by check mark if the disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendments to the Form 10-K. o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer o
Non-accelerated filer x Smaller reporting company x

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act)

Yes o No x

As of June 30, 2014, the aggregate market value of the registrant’s common stock held by non-affiliates of the registrant was $7,152,000 based upon the closing sale price as of that date. As of August 26,, 2014, there were 13,884,394,594 shares of common stock, $.001 par value, outstanding.

Documents Incorporated by Reference

None.

ANNUAL REPORT ON FORM 10-K

FOR THE YEAR ENDED JUNE 30, 2012

TABLE OF CONTENTS

PART I

FORWARD-LOOKING STATEMENTS

This report contains "forward-looking statements." In some cases, you can identify forward-looking statements by terms such as "may," "intend," "might," "will," "should," "could," "would," "expect," "believe," "estimate," "predict," "potential," or the negative of these terms and similar expressions intended to identify forward-looking statements. These statements reflect the Company's current views with respect to future events and are based on assumptions and subject to risks and uncertainties. The Company discusses many of these risks and uncertainties in greater detail in Part I, Item 1A of this 10-K under the heading "Risk Factors." These risks and uncertainties may cause the Company's actual results, performance, or achievements to be materially different from any future results, performance, or achievements expressed or implied by the forward-looking statements. You should not place undue reliance on these forward-looking statements. Also, these forward-looking statements represent the Company's estimates and assumptions as of the date of this report. The Company is under no duty to update any of the forward-looking statements after the date of this report to conform such statements to actual results or to changes in our expectations.

The following discussion should be read in conjunction with mPhase Technologies' financial statements and related notes included elsewhere in this report.

ITEM 1. BUSINESS

General Description of the Business

mPhase Technologies, Inc. is a publicly-held New Jersey corporation founded in 1996. The Company has approximately 23,000 shareholders and approximately 13 billion shares of common stock outstanding as of June 30, 2013. The Company's common stock is traded on the Over the Counter Bulletin Board under the ticker symbol XDSL. The Company has offices in East Rutherford, New Jersey as well as Norwalk, Connecticut.

mPhase is a development-stage company specializing in developing “smart surfaces” using materials science engineering, nanotechnology science and the principles of microfluidics and microelectromechanical systems (MEMS). The Company develops products for both commercial and military applications. The Company's flagship product is its Smart NanoBattery providing Power On Command™. The new patent pending and patented battery technology, based on the phenomenon of electrowetting, offers a unique way to store energy and manage power. Features of the Smart NanoBattery include potentially infinite shelf life, environmentally friendly design, fast ramp to power, programmable control, and direct integration with microelectronic devices. The platform technology behind the Smart NanoBattery is a porous nanostructured material used to repel and precisely control the flow of liquids. The material has a *Smart Surface* that can potentially be designed for other innovative products such as medical devices including heart pacemakers and pumping devices.

mPhase has completed a Phase I and Phase II Small Business Technology Transfer Program (STTR) grant, part of the Small Business Innovation Research (SBIR) program, with the U.S. Army for continued development of a reserve Smart NanoBattery for a critical computer memory application. Such reserve battery can be activated by an electronic pulse. The Army has also successfully tested the Smart NanoBattery as an energy source activated by g forces to provide energy for a guidance system for small munitions.

In a separate effort, mPhase has also developed, through mPower Technologies, Inc, a wholly-owned subsidiary, a series of automotive products. The mPower Jump is a small sized, very light weight battery jump starter designed to fit in the glove compartment of most A smaller version called the mPower Mini-Jump can be used to start dead batteries in small cars as well as by small boats, jet skis, motor cycles., cell phones and small electronic products.

Description of Operations

Microfluidics, MEMS, and Nanotechnology

In February of 2004, mPhase entered the business of materials science engineering developing new products based on materials whose properties and behavior are controlled at the micrometer and nanometer scales. (For reference, a micrometer or micron is equal one millionth (10-6) of a meter and a nanometer is one billionth (10-9) of a meter – the scale of atoms and molecules. A human hair is approximately 50 microns in diameter, or 50,000 nanometers thick.)

The Company has expertise and capabilities in microfluidics, microelectromechanical systems (MEMS), and nanotechnology. Microfluidics refers to the behavior, precise control and manipulation of fluids that are geometrically constrained to a small, typically micrometer scale. MEMS is the integration of mechanical elements, sensors, actuators, and electronics on a common silicon substrate through microfabrication technology. Nanotechnology is the creation of functional materials, devices and systems through control of matter (atoms and molecules) on the nanometer length scale (1-100 nanometers), and exploitation of novel phenomena and properties (physical, chemical, biological, mechanical, electrical) at that length scale.

In its Smart NanoBattery, mPhase exploits the physical phenomenon of electrowetting by which a voltage is used to change the wetting properties of a liquid/solid interface at the nanometer scale. . Through electrowetting, mPhase can change a surface from what is referred to as a hydrophobic ("liquid repelling") state to a hydrophilic ("liquid attracting") state. In the hydrophobic state, the liquid beads up or is repelled by the surface. In the hydrophilic state, the liquid spreads out or is absorbed by the surface. The ability to electronically control the wetting characteristics of a surface at the nanometer scale is the core of mPhase's nanotechnology operations and intellectual property portfolio.

In the Smart NanoBattery application, mPhase uses electrowetting as a new technique to activate or literally "turn on" a battery once it is ready to be used for the first time. At the heart of the Smart NanoBattery is a porous, nanostructured superhydrophic or superlyophobic membrane designed and fabricated by mPhase. The so-called superhydrophobic membrane applies to water and the superlyophobic membrane applies to nonaqueous or organic liquids such as ethanol or mineral oil. The difference between the two membrane types lies in the nanoscale architecture at the surface. By virtue of its superhydrophobic or superlyophobic character, the membrane, although porous, is able to physically separate the liquid electrolyte from the solid electrodes so that the battery remains dormant or inactive, thus providing no voltage, or current until called upon.

This electrolyte-electrode separation gives the battery the feature of potentially unlimited shelf life and the benefit of being always ready when needed, which is not necessarily the case for conventional batteries. Electrowetting alters the liquid/membrane interface so that the liquid is now able to flow over the membrane's surface and rapidly move through the pores where it is able to contact the solid electrode materials located on the other side of the membrane. mPhase uses MEMS, to precisely control the machining of silicon-based materials at the micrometer and nanometer scales. This ability has led to the Company's proprietary membrane design that controls the wetting and movement of liquids on a solid surface. mPhase uses microfluidics to control the flow of liquid electrolyte through the porous membrane and is also the basis for other possible applications such as self-cleaning surfaces, filtration and separation and liquid delivery systems.

History of Nanotechnology Operations

Smart NanoBattery

mPhase Technologies, along with Bell Labs, jointly conducted research from February 2004 through April of 2007 that demonstrated control and manipulation of fluids on superhydrophobic and superlyophobic surfaces to create a new type of battery or energy storage device with power management features obtained by controlling the wetting behavior of a liquid electrolyte on a solid surface. The scientific research conducted set the ground work for continued development of the Smart NanoBattery and forms a path to commercialization of the technology for a broad range of market opportunities. The Company began its efforts by entering into a $1.2 million 12 month Development Agreement in February of 2004 with the Bell Labs division of Alcatel/Lucent for exploratory research of control and manipulation of fluids on superhydrophobic surfaces to create power cells (batteries) by controlling wetting behavior of an electrolyte on nanostructured electrode surfaces. The goal was to develop a major breakthrough in battery technology creating batteries with longer shelf lives as the result of no direct electrode contact (meaning no power drain prior to activation). During 2005 and 2006, the battery team tested modifications and enhancements to the internal design of the battery to optimize its power and energy density characteristics, as well as making engineering improvements that were essential in moving the battery from a zinc-based chemistry to a commercial lithium-based chemistry that can be manufactured on a large scale. The Company extended its development effort twice for an additional 2 year period ending in March of 2007 and for two additional periods thereafter through July 31, 2007. During this time, the technical focus shifted from trying to separate the liquid electrolyte from nanostructured electrodes to developing a nanostructured membrane that could physically separate the liquid electrolyte from the solid electrodes.

mPhase also began working with the Rutgers University Energy Storage Research Group (ESRG) in July of 2005 to conduct contract research in advanced battery chemistries involving lithium. This work involved characterizing and testing materials that could be used in the mPhase battery. In July of 2007, the relationship shifted to a collaboration focused on developing a memory backup battery needed by the U.S. Army. The work was funded through a Phase I Small Business Technology Transfer Program (STTR) grant.

The Company decided in September of 2007 to transfer its development work out of Bell Labs (Alcatel/Lucent) in order to accelerate and broaden its nanotechnology product commercialization efforts. Bell Labs had engaged in its battery research and development for the Company for zinc-based batteries and was limited since it did not have facilities capable of handling lithium chemistry. mPhase has continued to work with Rutgers ESRG which has facilities capable of handling lithium based batteries and has also engaged in work with foundries and other companies to supply essential components, fabricate prototypes, and plan manufacturing approaches. These companies include Silex, a well-respected silicon foundry in Sweden, and Eagle Picher, a well-known battery designer and manufacturer that focuses on high-end batteries for military applications located in Joplin, Missouri.

In February of 2008, the Company announced that a prototype of its Smart NanoBattery was successfully deployed in a gun-fired test at the Aberdeen Proving Ground at Maryland. The test was conducted by the U.S. Army Armament Research and Development and Engineering Center (ARDEC) of Picatinny, New Jersey. The battery not only survived the harsh conditions of deployment at a gravitational force in excess of 45,000 g, but was also flawlessly activated in the process.

In March of 2008, mPhase announced that it had been invited to submit a proposal for a Phase II STTR grant based upon the successful work it had performed on the Phase I grant to develop a version of the Smart NanoBattery referred to as the multi-cell, micro-array reserve battery for a critical memory backup application. The Phase II grant in the gross amount of $750,000 (net $500,000) was granted to the Company in the middle of September of 2008. In March of 2008, the Company also announced the successful transfer to a commercial foundry of certain processes critical to the manufacturing of its Smart NanoBattery. This will enable fabrication of the porous membranes for the multi-cell, micro-array reserve battery mentioned above. The Company successfully manufactured nanostructured membranes at the foundry that are essential to commercial production of the battery. By achieving a series of delayed activations, the shelf-life and continuous run-time of such battery is increased to a period of time in excess of twenty years. In April of 2008, the Company announced that it had successfully activated it first Smart NanoBattery prototype by electrowetting using a hard-wired configuration and a remotely-activated device. Remote activation plays a key role in providing power to wireless sensors systems and radio frequency identification tags.

Also, in April of 2008, the Company announced that it had successfully produced its first lithium-based reserve battery with a soft or pouch package and breakable separator (in place of the electrowettable membrane) that relies on mechanical rather than electrical activation to provide Power On Command™. The Company believes this to have been a significant milestone in moving from a low energy density zinc-based battery to a higher energy density lithium-based battery towards proving that this mechanically-activated reserve battery would become economically and commercially viable.

In fiscal years ended June 30, 2009 and June 30, 2010, the Company focused upon further development of its Smart Nano Battery under a Phase II STTR grant from the U.S. Army as a potential reserve battery for a back-up computer memory application for a weapons system. The Company has recently completed such Phase II Army grant. On November 12, of 2010, the Company announced that it had successfully triggered and activated its first functional multi-cell smart nano battery. Triggering and activation of the cells of the battery were achieved by using the technique of electrowetting or programmable triggering. Triggering was accomplished by applying a pulse of electrical energy to a porous, smart surface membrane located inside each cell in the battery causing the electrolyte to come in contact with the cell's electrodes, creating the chemical reaction to produce voltage inside of the multi-cell battery. The multi-cell battery consists of a matrix of 12 individual cells populated with an electrode stack consisting of lithium and carbon monofluoride materials with each rated at 3.0 volts. Using a custom designed circuit board for testing, each of the cells in the battery were independently triggered and activated without affecting any of the non-activated cells in the multi-cell configuration. Each cell in the battery has a very long shelf-life prior to triggering.

On February 9, 2011, the Company announced that it had signed a 3 year Cooperative Research and Development Agreement (CRADA) with the U.S. Army Armament Research, Development, and Engineering Center (ARDEC) at Picatinny, New Jersey, to continue to cooperatively test and evaluate the mPhase Smart NanoBattery, including new design features functionally appropriate for DoD based systems requiring portable power sources. The army researchers are evaluating the prototypes using the Army's testing facilities at Picatinny Arsenal in New Jersey in order to determine applicability of the technology to gun fired munitions and potentially to incorporate the technologies into research and development and other programs sponsored by Picatinny. The Research Agreement is supported by the Fuze & Precision Armaments Technology Directorate.

During fiscal year ended June 30, 2011, the Company completed work on its Phase II STTR grant for the U.S. army for a nano-reserve battery for a back-up computer memory application. In addition the Company engaged First Principals, Inc to perform an evaluation or each of its patents in order to identify a strategic partner whose products line will need the Company's SmartNanoBattery as a compelling solution.

On March 6, 2012, the Company announced that it is exploring the printing of its Smart NanoBattery on graphene and other new advanced materials. Graphene is a very strong material that has been described as the most conductive material known, making it a vast improvement over silicon. Graphene has the potential to lead to faster, cheaper and more flexible devices including power sources.

On August 16, 2012, the Company announced that it had received a notice of allowance for a patent from the U.S. patent office for a reserve battery utility patent. The techniques described in the patent are for creating a battery system that is easily activated via a low energy mechanical force, thus allowing the reserve battery to be used in a wide variety of consumer related and non-consumer related electrical devices. The invention generally relates to a reserve battery, which includes a battery case having an electrolyte compartment at a first end and an electrode compartment at a second end, a first terminal having an external button connected to the case at the first end, and a second terminal connected to the case at the second end. A movable ampoule is movably positioned within the electrolyte compartment. A bias member is located within the case between the external button and the ampoule, and a porous cutter is positioned within the case between the electrodes and the ampoule and supported by an inverted U-shaped support structure. When an external force is applied to the external button, the bias member transfers an internal force to the ampoule to cause the ampoule to engage the cutter and allow the electrolyte to release thus activating the battery.

On August 23, 2012, the Company announced that, subject to the availability of sufficient funding, it will engage in further development of its SmartNanoBattery to make it rechargeable.

On September 13, 2012, the Company announced that it had received a notice of allowance of a new patent from the U.S. patent office for a modular device. The invention generally relates to a handheld, powered device containing at least one power module having at least one battery, wherein the power module is removable and separately connects to each of the load modules. The patent covers a modular device for providing multiple modular components that may be interchanged as desired. A system for providing a modular device for use in emergency or everyday applications and having a plurality of modular components that are interchangeable with one another depending on the particular desired use.

On October 26, 2012, the Company announced the development of a prototype of a new product “the mPower Jump” designed by Porsche Design Studio and Porsche Engineering as an automatic jump starter for a dead car battery. The device is portable, light in weight and small in size designed to fit in the glove compartment of most cars.

On January 24, 2013, the Company announced that it had received a notice of allowance from the U.S. patent office of a patent covering a device for fluid spreading and transport. The invention relates to a single porous substrate formed from a network of filaments wherein the network of filaments is comprised of a first plurality of filaments and a second plurality of filaments is exposed to a surface modification treatment and the second plurality of filaments is covered with a conformal coating. A wetting region comprised of the first plurality of filaments extends through a first portion of the porous substrate and is permeable to fluid transport and a non-wetting region comprised of the second plurality of filaments which is operable to switch between a wetting and non-wetting state by an electrical source coupled to the second plurality of filaments.The invention protects a porous substrate with integrated wetting and non-wetting regions and is a key patent win for the Company relative to the protection of its intellectual property in the area of microfluid dynamics.

On January 30, 2013, the Company announced that it had received a patent from the U.S. patent office for a reserve battery system. The invention patented generally relates to a battery system that is easily activated via low mechanical force thus allowing a reserve battery to be used in a wide variety of consumer related and non-consumer related electrical devices.

On February 12, 2013, the Company announced that it has filed a United States Letter Patent application for a novel drug delivery system based on its Smart Surface technology.The drug delivery patent is based on mPhase's Smart Surface technology electronically or manually enabling the precise control of a fluid on a nano-structured surface.The drug delivery system generally relates to a drug delivery system for automatically dispensing a pre set dosage of a drug agent or medication.

On June 18, 2013, the Company announced that it had received the Frost & Sullivan award for its Innovative nano battery technology. Frost & Sullivan noted that the smart nanobattery is sustainable, cost-effective, easy to handle, and possesses a long shelf life, all of which clearly differentiate it from competing battery technologies. Frost & Sullivan further noted that this positions the technology to enhance the effectiveness of conventional batteries and encourage widespread use of reserve batteries.

On March 27, 2014 the Company entered into a three year renewal of the Cooperative Research and Development Agreement (CRADA) with the United States Army Armament Reseach, Development and Engineering Center at Picatinny Arsenal of February of 2011. This agreement provides for further joint research and development of the Smart Nanobattery as an energy source for small munitions. The Company is seeking funding for this research from

Emergency Flashlight

On December 5, 2008, mPhase Technologies, Inc. signed a contract with Porsche Design Gesellschaft m.b.H., Flugplatzstrasse 29, A,S700 Zell am see, Austria ("Porsche Design Studio"), to design a premium emergency flashlight (the mPower Emergency Illuminator). A pilot program that began in March of 2010 has resulted in the sale of approximately 84 emergency flashlights. The flashlight sold in the pilot program contained mPhase's proprietary mechanically-activated lithium reserve battery. The battery contains a breakable barrier that separates the solid electrodes from the liquid electrolyte until the battery is manually activated. Unlike traditional batteries, the mPhase battery remains in an inert state with no leakage or self-discharge until activation. The mPhase battery is designed to have an almost infinite shelf life making it ideal for emergency lighting applications. The premium flashlight will be marketed as an accessory for automobile roadside emergency kits.

The reserve battery is a manually activated lithium cell designed to provide Power On Command and was originally designed by Eagle Picher Technologies. The battery remains dormant until "turned on" by the user. It is built to the highest standards with a minimum storage life of 20 years. Once activated, the reserve battery is expected to deliver the electrical performance of a standard primary CR123 battery used in many portable electronic applications today.

Owing to cost considerations, the Company has decided to utilize a cost reduced active-reserve battery in its current version of its emergency flashlight product for potential sales after the pilot program. Such active reserve battery also has a very long shelf life and enables the Company to significantly reduce the selling price of the Emergency Flashlight. In March 2011, the Company received an initial order from Porsche Design Group in Germany for mPhase's Porsche design branded mPower Emergency illuminators to be sold in Porsche Design stores in Germany, Great Britain and the United States and it began shipments of the Emergency Illuminators in April of 2011. The Company has suspended further development and marketing of this product unit funds become available to do a major redesigned cost-reduction of the product for a higher volume non-luxury market.

mPower Junp

During fiscal year ended June 30, 2014 the Company successfully cost-reduced and began sales of the mPower Jump product as well as the mPower mini Jump product. The mPower Jump is a rechargeable, compact device designed to jump start a dead battery in an automobile. The mPhase Jump is rechargeable in a significantly shorter period of time than other jump starters and has a much smaller footprint enabling it to fit in the glove compartment in most cars. The mPower mini Jump is a smaller version of the product which is about the size of a smart phone that is a multipurpose charger of batteries. It is designed to start dead batteries recreational toys such as all terrain vehcles, snowmobiles, notorcycles and jet skis-even a full size car. It is versatile enough to also start small electronic devices including cell phones. Company views these two products as core strategic products.

The Company is developing a Jump Plus that wil be a very powerful version of the Jump product line that will be powerful enough to jumpstart large recreational vehicles, large busses , boats and trucks as well as arcicultural equipment. The product is currently in the prototype stage of development and, subject to financial resources of the company, is planned to be introduced to the market in fiscal year 2015.

DISCONTINUED BUSINESS-Internet Protocol Television (IPTV)

Historically, the Company, since its inception, had focused upon developing innovative solutions for the delivery of Broadcast Television as part of a "triple play" of services that would include voice and high-speed internet for telephone service providers globally. The Company, however,was not been able to derive any significant revenue from its TV+ solution and no active development of the product has occurred since fiscal year 2007. The Company determined to discontinue this line of business and all inventory has been written off. During the fourth quarter of the fiscal year ended June 30, 2010, the Company formally elected, for financial reporting purposes to treat its IPTV product line as a discontinued business. The Company is also no longer continuing any work on this product and is treating it as a discontinued product.

Nanotechnology Products

Platform Technology

The surface is an important part of virtually every physical object and often plays an overriding role in many processes, beyond mere connectivity and structural support, but more deeply into areas involving chemical and biological interactions. In some instances, the surface provides an easy entry into the chemical or biological systems;

in others it protects the internal elements of the object, surrounded by the surfaces.

mPhase's current flagship platform technology is the *Smart Surface*. By being able to control the surface properties of materials down to the nanometer scale, new and improved devices can be designed and built that may lead to compelling business opportunities. One type of smart surface of particular interest allows properties to be changed in response to an external stimulus.

Initially, mPhase's development focused on Micro Electronic Mechanic Systems (MEMS) devices by manipulating the surface of silicon materials – the same material used to make microelectronic materials and devices. Using physical and chemical processes, the surface of the silicon is modified to make solid porous structures known as membranes. This is where microfluidics comes into play. These membranes can be used to selectively control the flow of liquids through the pores or openings at the micrometer length scale.

Surfaces may be characterized as *hydrophilic* or *hydrophobic* depending on whether or not they attract or repel water (or other liquids). A hydrophilic surface can be wet and adsorbs water. A hydrophobic surface, on the other hand, cannot be wet. Hydrophilic and hydrophobic surfaces are abundant in nature and in synthetic materials, both organic and inorganic in chemical composition. A familiar example of a hydrophilic surface is a sponge that readily soaks up water. By contrast, many plant leaves and flower petals are hydrophobic, as are insect parts and bird feathers. Synthetic hydrophobic surfaces include Scotchgard™ treated fabric, Teflon® coated metal, or Rain-X® coated glass. On a hydrophobic surface, water beads up and can move around without being absorbed by the solid material that it is resting on.

So-called *superhydrophobic* surfaces are also found in nature and can now be replicated in the lab. The lotus leaf and rose petal, for example, exhibit superhydrophobicity. Here water droplets form almost perfect spheres with hardly any contact with the underlying solid surface. This makes the liquid even easier to move and manipulate.

The synthesis of superhydrophobic surfaces has recently been made possible by advances in nanotechnology and mPhase is leading the way to better understand and create materials and devices incorporating these unique surface properties.

As mPhase's research and development efforts evolve, in addition to silicon materials, the ability to control the surface properties of materials can be extended to other substances such as polymers, ceramics, metals, and fibers, as examples, providing opportunities for our platform technology to be used in a range of potential applications such as energy storage and power management for portable electronics and microelectronics, self-cleaning surfaces, filters for water purification or desalination systems, materials for environmental remediation that separate liquids or solvents, and other situations where the control of the interaction of a solid surface exposed to a liquid is vitally important.

Smart NanoBattery

Battery technology has changed little in its fundamentals over the past 150 years. As a result, ordinary batteries begin dissipating energy as soon as they are assembled and therefore have limited shelf life. Chemistries are fixed inside the package so the user cannot interact with the contents to program functionality. The size and form of batteries have not kept pace with the miniaturization of electrical components, microprocessors and integrated circuits. As a result, the optimal implementation of an electronic device is not always achieved. Some batteries contain chemicals that are not considered safe or environmentally friendly ("green"). This makes disposal a potential issue.

mPhase is challenging this convention by using their proprietary superhydrophobic porous silicon membrane technology as the basis to build the Smart NanoBattery providing Power On Command™.

Superhydrophobicity initially keeps the liquid electrolyte physically separated from the solid electrodes of the battery, thus preventing the chemical reactions from occurring that cause the battery to provide power. This gives the Smart NanoBattery the benefit of potentially infinite shelf life.

A conventional battery loses some capacity while sitting on the shelf in its package or stored in an electronic or electrical device, even before being used for the first time. On the other hand, the Smart NanoBattery is built so that it is inactive and remains that way indefinitely until it is turned on. No power is lost to self-discharge or leakage current prior to activation. When needed, the Smart NanoBattery can be activated on command via the phenomenon of electrowetting. The surface properties of the porous silicon membrane are selectively controlled to shift instantly from a superhydrophobic to hydrophilic state. In other words, electrowetting acts as the triggering mechanism.

mPhase has successfully fabricated and demonstrated its first 3-volt lithium-based Smart NanoBattery, based on a design allowing either manual or remote activation by the user, the feature known as Power on Command™.

By incorporating the phenomenon of electrowetting on nanostructured surfaces into a revolutionary way of storing energy, the Smart NanoBattery provides power to portable electronic and microelectronic devices exactly when and where it is needed. It is an alternative and an augmentation to conventional batteries, still converting stored chemical energy into usable electrical energy, but in a way that is potentially more reliable, more versatile, more environmentally friendly, and less expensive than the industry norm.

Applications

mPhase is exploring military and commercial applications of smart surfaces in which the properties can be accurately and precisely controlled down to the nanometer scale. Electrowetting allows the switching from a hydrophobic to hydrophilic state as a result of an electronic stimulus.

The Smart NanoBattery, mPhase's first smart surface product, has a unique architecture that enables a shelf life of decades, remote activation, programmable control, scalable manufacturing, and adaptability to multiple configurations. The value proposition to the end user is to have a source of energy or power that is literally always ready - reliable, convenient, low cost - a battery guaranteed to work at full capacity when and where you need it.

The Smart NanoBattery can conceivably supply power "*on command"* to a wide variety of portable electronic and microelectronic devices used in military, medical, industrial, and consumer applications.

mPhase has demonstrated that the battery works in lab tests as well as in a significant field test conducted for the U.S. Army as part of a guided munitions project. The relationship with the Army also included an $850,000 funded project to develop a battery for a mission critical computer memory backup application. The target was a small footprint, 3-volt lithium battery with a minimum shelf life of 20 years and uninterruptible power output during this time period. No other battery technology available today can deliver the long-term performance requirements specified by the U.S. Army for this application.

The Smart NanoBattery can potentially be designed to accommodate a variety of sophisticated portable electronic and microelectronic devices including next-generation cell phones, handheld gaming devices, wireless sensor systems, radio frequency identification tags, high-tech flashlights and beacons, health alert alarms, and non-implantable and implantable medical devices such as pacemakers.

Initial applications will address the need to supply emergency and backup power to a range of products for defense and security, with future applications in the commercial and consumer arenas.

Strategic Alliances

The Company has been in active discussions with Picatinny Arsenal, Picatinny, New Jersey to jointly obtain federal funding under SBIR grants to develop additional new products for military small munitions applications. The Company has a strong historic cooperative relationship for product development and testing. The Company continues to seek opportunities with various potential academic partners to obtain further STTR grants for new product research and development.

In 2007 the Company entered into a Cooperative Research and Development Agreement ("CRADA") with Picatinny Arsenal to test the single cell version of the Smart NanoBattery suitable for future research and development programs for projectile launched munitions. From 2007 through the first quarter of calendar year 2010, numerous internal laboratory air gun simulation tests were performed, including a live-air gun and live gun fired test at the United States Army's facility at Aberdeen Proving Grounds, Aberdeen, Maryland. A prototype of the Smart NanoBattery was the subject of a live fire test as part of a projectile fired out of an Abrams Tank. The results of the test indicated that the battery was activated by 10,000 G forces indicating that it could supply energy necessary to operate a guidance system for small munitions. In addition, the Smart NanoBattery demonstrated extreme resiliency to shock and acceleration since, it survived tests that subjected it to high acceleration of over 30,000 G forces.

On February 9, 2011, the Company announced that it had signed a 3 year CRADA with the U.S. Army Armament Research, Development, and Engineering Center (ARDEC) at Picatinny, New Jersey, to continue to cooperatively test and evaluate the mPhase Smart NanoBattery, including new design features functionally appropriate for DoD based systems requiring portable power sources. The army researchers are evaluating the prototypes using the Army's testing facilities at Picatinny Arsenal in New Jersey in order to determine applicability of the technology to gun fired munitions and potentially to incorporate the technologies into research and development and other programs sponsored by Picatinny. The Research Agreement is supported by the Fuze & Precision Armaments Technology Directorate. In order for significant further research and development to be performed with respect to the Smart Nano Battery the Company will have to be successful in obtaining additional congressional funding specifically designated for this type of battery. This CRADA was renewed on March 27, 2014 for an additional three year period by the Army.

BUSINESS OF THE COMPANY

Business Development, Organization, and Acquisition Activities

mPhase was incorporated in New Jersey in 1979 under the name Tecma Laboratory, Inc. In 1987, the Company changed its name to Tecma Laboratories, Inc. As Tecma Laboratories, Inc., the Company was primarily engaged in the research, development and exploration of products in the skin care field. On February 17, 1997, the Company acquired Lightpaths, Inc., a Delaware corporation, which was engaged in the development of telecommunications products incorporating DSL technology, and the Company changed its name to Lightpaths TP Technologies, Inc.

On January 29, 1997, the Company formed another wholly-owned subsidiary called TLI Industries, Inc. The shares of TLI were spun off to its stockholders on March 31, 1997 after the Company transferred the assets and liabilities, including primarily fixed assets, patents and shareholder loans related to the prior business of Tecma Laboratories. As a consequence of these transactions, the Company became the holding company of its wholly-owned subsidiary, Lightpaths, Inc., on February 17, 1997.

On May 5, 1997, the Company completed a reverse merger with Lightpaths TP Technologies, Inc. and thereafter changed its name to mPhase Technologies, Inc. on June 2, 1997.

From June of 1997-December of 2007, the Company’s main business was the development and sale of telecommunication products and equipment and middleware products for the delivery of television by telephone service providers. This business was formally discontinued by the Company for financial reporting as of June 30, 2010.

Effective February 3, 2004, the Company entered into a Development Agreement with the Bell Laboratories division of Lucent Technologies, Inc. for the development of micro power source arrays fabricated using nano textured super hydrophobic materials.

Effective March 5, 2005, the Company extended its Development Agreement with Bell Labs for an additional 12 months for the development of micro power source arrays fabricated using nano textured super hydrophobic materials.

Effective March 10, 2005, the Company entered into a Development Agreement with Bell Labs for the development of a new generation of magnetic field sensors using the science of nanotechnology.

In April of 2006, the Company renewed each of the nanotechnology Development Agreements will Bell Labs dated March 5, 2005 and March 10, 2005 respectively for an additional 12 months at the cost of $100,000 per month for each agreement.

On February 3, 2007, the Company entered into Amendment No. 4 to a Development Agreement effective February 3, 2004, with Lucent Technologies, Inc. extending research and development through April 27, 2007, relating to micro-power source arrays fabricated using nano-textured superhydrophobic materials.

On February 17, 2007, the Company extended a Cooperative Research Agreement through December 31, 2007, originally entered into on July 15, 2005, with Rutgers, The State University of New Jersey governing cooperative research on a lithium nanostructured reserve battery.

On April 28, 2007, the Company extended its Development Agreement with Lucent Technologies relating to micro-power source arrays fabricated using nano-textured superhydrophobic materials originally entered into in February of 2004 with Amendment #5 through July 31, 2007.

On May 10, 2007, the Company entered into a Consulting Agreement with CT NanoBusiness Alliance to produce a report and assist the Company with respect to its strategy for development and marketing of its nano power cell product.

On July 18, 2007, the Company announced the award of a Phase I US Army Small Business Technology Transfer (STTR) Program Grant. This award was a Phase I six month research effort to develop a 30 plus year shelf life, low power, green battery (coin cell or similar) that would continuously power a static random access memory circuit for a computer device. SRAM is a common type of digital memory chip used in a wide variety of electronic systems for data storage. During the six month research period, the team was to characterize the design, conduct capacity and stability measurements of a reserve style power cell based on Lithium chemistry. Long term stability and shelf life is achieved by initially separating the active materials of the power cell during storage, and controlling the activation of the cell until needed to provide power. This research program extended the design of the company's smart battery to support the use of non-water based electrolytes that are commonly used in lithium based batteries. Lithium batteries are favored for powering many different types of electronic devices due to their higher voltage and power requirements than can be supplied by more common alkaline batteries.

The Phase I grant, valued at $100,000, enabled the Company to competitively compete for a Phase II award as an avenue used by U.S. government defense agencies to adopt advanced technology for commercialization and use. Rutgers University supported the Company and its newly formed subsidiary, AlwaysReady, Inc., during the award period as a subcontractor under the award guidelines.

On October 19, 2007, the Company announced that in connection with the settlement and dismissal of a civil law suit originally filed on November 16, 2005 by the Securities and Exchange Commission in the Federal District Court in the District of Connecticut, the SEC issued a Cease and Desist Order and certain remedial sanctions against two officers of mPhase Technologies, Inc. (the "Company"). The civil suit was filed against Packetport.com, Inc. a Nevada corporation, Microphase Corporation, a Connecticut corporation that provides administrative services to the Company and shares common management with the Company, and others. The two officers of the Company were Mr. Ronald A. Durando, President and Chief Executive Officer and Mr. Gustave T. Dotoli, the Chief Operating Officer. The civil suit by the SEC named as respondents Mr. Durando, Mr. Dotoli and others in connection with their activities as officers and directors of Packetport.com. The cease and desist order from the SEC found that (1) all parties had violated Section 5 of the Securities Act of 1933, as making unregistered offers or sales of Packetport.com common stock, (2) Mr. Durando and Mr. Dotoli had violated Section 16(a) of the Securities Exchange Act of 1934, as amended, and Rule 16(a) thereunder by failing to timely disclose the acquisition of their holdings on Form 3's, and (3) Mr. Durando had violated Section 13(d) of the Securities Exchange Act of 1934, as amended, for failing to disclose the acquisition of more than five percent of the stock of Packetport.com. Under the order Mr. Durando was required to disgorge $150,000 and Mr. Dotoli was required to disgorge $100,000. The Company was not named as a party to the civil suit. More information regarding the detailed terms of the settlement can be found in SEC release No 8858 dated October 18, 2007 promulgated under the Securities Act of 1933 and SEC Release No. 56672 dated October 18, 2007 promulgated pursuant to the Securities Exchange Act of 1934. Mr. Durando and Mr. Dotoli have continued to serve as officers and directors of the Company. Mr Durando and Mr. Dotoli together with Microphase corporation and others, without admitting or denying the findings of the SEC, except as to jurisdiction and subject matter, have consented to the entry of the Order Instituting Cease and Desist Proceedings, Making Findings and Imposing a Cease and Desist Order and Remedial Sanctions pursuant to Section 8A of the Securities Exchange Act of 1933 and Section 21C of the Securities Exchange Act of 1934.

On February 20, 2008, the Company announced that a prototype of its smart reserve nanobattery was successfully deployed and activated by the resulting g-force in a gun-fired test at the Aberdeen Proving Grounds in Maryland. The test was conducted by the U.S. Army Armament Research, Development, and Engineering Center (ARDEC) of Picatinny New Jersey. In this test, the AlwaysReady battery delivered power to the test load inside the standard military anti-tank round (M830A1 or HEAT-High Explosive Anti-Tank) and demonstrated extreme resiliency, surviving the harsh environment as well as the high acceleration at a g-force in excess of 45,000 (one "g" is equal to the pull of gravity at sea level). The gun-fired test was part of a prototype evaluation process that the U.S. Army was conducting as part of its CRADA (Cooperative Research and Development Agreement). The Company's Engineers collaborated with those at Picatinny involved in the development of precision guidance components to successfully package this reserve electrochemical storage system to operate during the gun-firing and flight environment of a very high "g" round. The developmental qualification work, prior to the live test firing, was performed using Picatinny's air gun test facilities by subjecting battery prototypes to various launch accelerations and various design iterations. The test validated the performance of the AlwaysReady battery with a current armament used by the Army. The Company stated that its goal was to potentially incorporate this battery technology into smart, gun-fired munitions programs being developed by Picatinny.

On May 2, 2008, the Company announced that it had produced its first lithium-based battery that can be manually activated by providing power on command with a significantly longer shelf life prior to initial activation than those found in other batteries. The battery can be activated by command wirelessly from a remote location by a radio frequency signal giving it added mobility for sensor and similar applications.

On September 9, 2008, the Company announced that it had been awarded a Phase II Small Business Technology Transfer Program (STTR) grant, part of the Small Business Innovation Research (SBIR) program, from the U.S. Army for continued development of a reserve Smart NanoBattery for a critical computer memory application.

On September 17, 2008, the Company announced that its breakthrough research in microfluidics on understanding how micro- and nanostructured surfaces could be engineered to have properties for repelling water and other types of liquids could potentially be used in consumer applications to enable self-cleaning surfaces such as shower doors or windows and other materials used in self-cleaning systems.

On September 23, 2008, the Company announced that it had produced compact reserve lithium battery prototypes with a manually activated breakable separator capable of powering a high-intensity emergency flashlight for more than two hours continuously at full brightness. The work was done in conjunction with Eagle Picher, a respected battery design and development firm located in Joplin, Missouri. mPhase stated that it was pursuing the concept of using a reserve battery with a breakable separator in a high-intensity emergency flashlight either as the primary power supply or as a reliable source of backup power. Cylindrical and planar battery and flashlight designs are possible. These flashlights may be equipped with either a krypton bulb or light emitting diode (LED), the choice depending on the required brightness and runtime characteristics. A manually activated breakable separator technology has been created that is analogous to that of the AlwaysReady Smart NanoBattery with the patented electrowettable membrane, both of which keep the liquid electrolyte separate from the solid electrodes until the battery is actually needed. This provides a battery with potentially infinite shelf-life that will not lose power while sitting on the shelf or in storage. Whereas the electrowettable membrane is activated by applying a voltage at the interface between the liquid and membrane surface, the breakable separator is manually activated through a well-defined physical force. The result in both cases is that the liquid electrolyte mixes with the solid electrodes, thus releasing the stored energy and 3 volts of power when lithium chemistry is employed.

On December 5, 2008, the Company announced that it had signed a contract with Porsche Design Gesellschaft m.b.H., Flugplatzstrasse 29, A,S700 Zell am see, Austria ["Porsche Design Studio"], to design a premium version of the AlwaysReady emergency flashlight. The flashlight was to use mPhase's proprietary lithium reserve battery. The battery contains a breakable barrier that separates the solid electrodes from the liquid electrolyte until the battery is manually activated. Unlike traditional batteries, the mPhase battery remains in an inert state with no leakage or self-discharge until activation. The mPhase battery was designed to have an almost infinite shelf life making it ideal for emergency lighting applications. The premium flashlight was to be marketed as an accessory for automobile roadside emergency kits.

On January 15, 2009, the Company announced that its Smart NanoBattery being developed pursuant to a Phase II Army Grant for a critical mission computer backup reserve battery may also have wider application for unattended electronic ground sensors that provide mission critical information for military operatives.

On January 29, 2009, the Company announced that it had contracted EaglePicher Technologies to manufacture the reserve battery for use in its emergency flashlight. EaglePicher was selected for the project because of their experience in custom and standardized power solutions for the extreme environments of aerospace and military applications as well as medical and commercial applications. This reserve battery has been discontinued as a product owing to the significant cost to produce the product.

On March 18, 2009, the Company announced that it had received the first working model for the emergency flashlight from the Porsche Design Studio in Zell am See, Austria, representing a major step forward as the Company prepared for the initial product launch.

On June 23, 2009, the Company announced that it had achieved a major milestone in the development of its Smart NanoBattery Technology. mPhase reported that it had successfully manufactured a six-inch silicon-based wafer containing its key membrane (separator) technology. This separator is responsible for keeping the Smart NanoBattery's chemicals separated until activated. The membrane's unique surface and structure allows for control of a liquid on a nanostructured surface.

On August 5, 2009, the Company announced that it had completed the first functional prototype of its lithium reserve battery intended for use in the Company's emergency flashlight. The prototype is the first time the mPhase battery technology had come together in a "ready for production" prototype. The mPhase lithium reserve battery stores energy until it is literally "turned on." It is manually activated by a unique triggering mechanism that rapidly releases and distributes the liquid electrolyte inside the battery. The electrolyte immediately contacts the solid electrode materials to produce 3 volts. The reserve battery is designed for backup power and emergency applications. With a shelf life of over 20 years, the mPhase lithium reserve battery allows the emergency flashlight to function as a reliable emergency light source in countless situations.

On August 6, 2009, the Company announced that it had completed the first fully functional prototype of its emergency flashlight. A world renowned automobile design firm created a sleek design to accompany the flashlight's unparalleled functionality. The new illuminator features mPhase's first reserve battery that allows for backup power to be always ready through a simple activation method.

On August 27, 2009, the Company announced that its Phase II grant from the United States Army had been renewed for a second year.

On November 2, 2009, the Company reported that it had been granted a United States patent for its concept for a battery that is safer for the environment in that it is based on the idea of neutralizing the harmful chemistry inside the battery by dispensing a neutralizing agent or containment polymer located inside the battery fixture and dispensed once the battery is depleted. This reduces the risk of potentially harmful chemicals leaking through the battery container and polluting the ground or air after the battery has been discarded.

On March 9, 2010, the Company announced that its mPower On Command Reserve Battery had successfully met all United Nations/US Department of Transportation safety standards and had received UN DOT certification for the safe transport of lithium-containing batteries. Certification required successful passage of eight tests, altitude, thermal, vibration, shock, impact, overcharge, forced discharge, and external short circuit.

On May 14, 2010, the Company announced that both its mPower Emergency Illuminator and the Power On Command reserve battery technology passed a series of rigorous tests necessary to qualify for CE marking. The CE mark certifies that a product has met European Union consumer safety requirements and allows both products to be sold in the European Economic Area, which includes members and non-members of the European Union.

On June 14, 2010, the Company reported that it had been granted a United States patent for the concept of the porous membrane made from silicon that is capable of controlling the flow of a wide range of liquids, including electrolytes, used in both primary and rechargeable batteries. This is the concept used in the development of the Company’s Smart NanoBattery. The issued patent is jointly held between the Company and Alcatel Lucent and is based on a prior cooperative research and development agreement between the two companies.

On July 31, 2010, the Company announced that its scalable smart reserve cell technology is one of the items included in the Fiscal Year 2011 Defense Appropriations Bill that was passed out of subcommittee by the U.S. House of Representatives to receive approximately $2,500,000 in federal funding. Such funding was never passed by the Senate and ultimately died in Congress.

On August 25, 2010, the Company announced that it signed a representative agreement with Tritech Lt. of Hod HaSharon, Israel, a leading stocking representative and distributor of major manufacturers of electronic components serving the Military, Communication, Medical, Industrial Control and Security Industries to promote the Company’s products exclusively in Israel.

On November 9, 2010, the Company announced that it has successfully assembled its first functional multi-cell Smart NanoBattery This was achieved by bonding an electrolyte reservoir to mPhase's patented, porous, silicon based smart surface. The combined multi-cell reservoir and honeycomb porous smart surface assembly is then bonded to a glass and silicon electrode assembly and populated with the electrode stacks consisting of lithium and carbon monofluoride materials (Li/CFx). Fully assembled units are then filled with the electrolyte and sealed, making them air tight. They are finally attached to special circuit boards for testing and characterization studies, which will include triggering and activation of each of the independent battery cells via a technique called electrowetting, which gives the mPhase reserve battery one of its key attributes -- programmable triggering. Because of the unique design of the multi-cell battery, each cell in the battery has very long shelf until it is triggered. The development of the Smart NanoBattery has been undertaken with funding support from a Phase II STTR Army award.

On November 10, 2010, the Company announced that it is developing a second new automotive product with a major European automobile manufacturer that is based on advanced battery technology and that work on the first prototype of the product commenced. A feasibility study was concluded and the product is expected to have broad appeal to both the OEM and aftermarket automobile industry

On November 11, 2010, the Company announced that it has completed the engineering and safety testing of a new Active Reserve Battery for its award winning mPower Emergency Illuminator™. The new battery features a military-style housing with active Lithium-Manganese Dioxide (Li-Mn02). The battery provides up to 20 years of shelf life under normal operating temperatures and replaces our first Reserve Battery technology featured in the successful pilot run of the mPower Emergency Illuminator™. The new Active Reserve Battery (illustration included) acts as a direct replacement for the Company's first twist to activate Reserve Battery and is available for sale on the mPower website for $29.99 USD. Included is the specification sheet for the new mPower On Command™ Active Reserve Battery.

mPower On Command™ Active Reserve Battery Specifications

- Nickel Plated Steel Air Tight Cylindrical Can
- Voltage Range 1.5V to 3.3V
- Average Voltage 3V
- Nominal Capacity 3.2 Ah @ 100mA to 2V @ 23 degrees C
- Max discharge 1.5A continuous
- Pulse Capacity up to 2.0A varies according to pulse characteristics, temperature, cell history and the application
- Operating Temp -40 degrees C to 72 degrees C
- Storage Temp -40 degrees C to 95 degrees C
- Nominal dimensions of case: L 2.56" x D 0.730" (L 65mm x D 18.6mm)
- Weight: 1.65 oz (41.3 grams)
- Insulating Red Protective Cap
- A hermetic glass to metal seal that ensures up to 20-year shelf life
- Active Reserve Battery chemistry: Lithium-Manganese Dioxide (Li-Mn02)
- Weight of metallic lithium in each battery: Approximately 1.10 grams of lithium

Complies with both US and EU safety regulations

On November 12, 2010, the Company reported that it had successfully triggered and activated its first functional multi-cell Smart NanoBattery, achieved by applying a brief pulse of electrical energy to a porous, smart surface membrane, located inside each cell in the battery, which caused the electrolyte to come in contact with the cell's electrodes, creating the chemical reaction to produce voltage inside the cell of the multi-cell battery. The mPhase multi-cell battery consists of a matrix of 12 individual cells populated with an electrode stack consisting of lithium and carbon monofluoride materials (Li/CFx), with each cells rated at 3.0 volts. Using a specially designed circuit board for testing and characterization studies, each of the cells in the battery were independently triggered and activated without affecting any of the non-activated cells in the multi-cell configuration. Because of the unique design of the multi-cell battery, each cell in the battery has very long shelf until it is triggered.

On December 8, 2010, the Company announced that it has successfully completed the technical work under the Phase 2 STTR grant awarded by the US Army for the multi-cell Smart NanoBattery. The team achieved this milestone by completing the work sponsored by the Army Research Office, which encourages deep technical exploration, by funding small business involved in innovative research projects for miniature energy storage designs, by helping accelerate research and development concepts for long term commercialization efforts. The STTR funding enabled the mPhase technical team to develop functional prototypes and to conduct detailed analysis of the novel multi-cell reserve battery designs. The funding allowed the mPhase team to create a substantial IP portfolio and to achieve a Technical Readiness Level (TRL level) 4/5, which conventionally means that the original Smart Nanobattery design and technology used in its implementation progressed to the extent that they now meet the criteria for prototype testing in both laboratory and simulated deployment environments. The completed Smart Nanobattery is based on a complex MEMS device consisting of layers of silicon and glass fabricated to the exact specifications of the mPhase team by its commercial foundry partner. The mPhase team finished the assembly by populating each battery with the electrode stacks of lithium and carbon monofluoride materials (Li/CFx),that delivered 3 volts per cell. Because of the unique design of the multi-cell battery, each cell in the battery has very long shelf until it is activated via a technique called electrowetting, which gives the mPhase reserve battery one of its key attributes -- programmable triggering. The development of the Smart NanoBattery has been undertaken with funding support from a Phase II STTR Army award.

On February 9, 2011, the Company announced that it signed a 3 year CRADA (Cooperative Research and Development Agreement) with the U.S. Army Armament Research, Development, and Engineering Center (ARDEC) at Picatinny, New Jersey, to continue to cooperatively test and evaluate the mPhase Smart NanoBattery, including new design features and functionally appropriate for DoD based systems requiring portable power sources. The army researchers would further evaluate the prototypes using the Army's testing facilities at Picatinny Arsenal in New Jersey in order to potentially incorporate the technologies into research and development and other programs sponsored by Picatinny.

On April 5, 2011, the Company announced that it has begun to ship branded orders of its award winning Emergency Illuminator to a luxury-design firm based in Europe. The Emergency Illuminator is a precision instrument with a

powerful 180 Lumens LED and two separate battery tubes. One tube is for everyday use and holds two CR123 batteries, while the other tube holds mPhase's Power On Command™ active reserve battery. If the regular CR123 batteries run down, the active reserve battery takes over -- even after laying idle for 20 years. The Emergency Illuminator also features a USB port that can be used for charging portable devices such as a cell phone.

On May 20, 2011, the Company reported that it had been granted a United States patent for the unique concept of a smart battery design that could contain different battery chemistries within the same battery configuration or battery pack. The techniques described in the patent are based on the idea of creating individual cells within a battery system, where each cell could contain a custom combination of electrolyte and electrode materials. The patent describes how individual cells in a battery could be activated based on conditions such as the surrounding temperatures or other conditions such as power drain requirements, which can be used in determining which cells in the battery to activate. The concepts behind this patent could be used to create a new type of reserve battery that would work in a wide range of applications, such as electronic devices and sensors used in very high and low temperature environments, where the temperature conditions may change over time, or in other environments where optimal battery performance is not easily achieved based on a single non optimized battery chemistry.

On June 15, 2011, the Company announced that it had engaged First Principals, Inc. (FPI), a world-class technology appraisal and commercialization enterprise located in Cleveland, Ohio, to perform a complete economic and strategic evaluation of mPhase's Patent Portfolio and identify a broad array of potential innovative products for "smart surfaces." In addition, FPI is to assist the Company in identifying strategic partners leading to additional commercialization applications and opportunities with respect to its Smart NanoBattery.

On June 29, 2011, the Company received approval from its shareholders at a Special Meeting of Shareholders to amend the Company's Articles of Incorporation to increase the Company's authorized shares of common stock from 2 billion to 6 billion shares.

On October 19, 2011 the Company announced that an independent patent valuation of its technology estimates a minimum valuation of $40 million for its portfolio of patents and intellectual property. The technical study of the Company's intellectual property commenced in June of 2011 and was performed by FIRST PRINCIPALS, INC., a world-class technology appraisal and commercialization firm located in Cleveland, Ohio.

On November 28, 2011, the Company amended the par value of its common stock from $.01 to $.001, the Balance Sheet at June 30, 2011 was restated to reflect this change with a reduction of $14,656,520 to the value of common stock and a corresponding increase to additional paid in capital for the same amount. Transactions recorded in the Consolidated Statement of Changes in Stockholders' Deficit were presented at the $.001 par value for the Fiscal Year Ended June 30, 2012.

On February 11, 2012, the Company announced that it had filed a new patent based upon its Smart Surface technology for a novel drug delivery system. The drug delivery patent is based on the ability of mPhases's Smart Surface technology to electronically control the precise flow of a fluid on a nano-structured surface.

On February 14, 2012, the Company announced that it was enhancing its patent portfolio for products beyond reserve battery applications. The core of the portfolio is the unique architecture relating to its Smart NanoBattery that enables a shelf life of decades, remote activation, programmable control and adaptability to multiple chemistries within the same container. These attributes which are developed by the Company's focus on "Smart Surfaces" lend themselves to potential applications in the areas of medical devices and portable electronic applications.

During the first three quarters of the fiscal year ended June 30, 2012, the Company attempted to acquire Energy Innovative Products, ("EIP") a privately-held company that is a developer of proprietary technologies for reducing energy usage in refrigeration and cooling systems with both commercial and consumer applications. The transaction was terminated in February of 2012 by EIP prior to the Company completing its due diligence review of EIP's assets, patents contracts and other necessary records. The Company is entitled to a breakage fees and restitution of certain monies advanced to EIP during the due diligence period and is seeking to determine the solvency of EIP and enforce certain contractual remedies under an Amended Letter of Intent.

On March 6, 2012, the Company announced that it is exploring the printing of its Smart NanoBattery on graphene and other new advanced materials. Graphene is a very strong material that has been described as the most conductive material known, making it a vast improvement over silicon. Graphene has the potential to lead to faster, cheaper and

more flexible devices including power sources.

In March of 2012, the Company accepted an invitation to visit a Cluster of International Technology research and development in Grenoble, France. The Cluster is made up on multinational companies and sponsored by various agencies of the French Government to perform advanced technology research is the area of energy storage devices, micro fluidics and nanotechnology. The Company is continuing exploratory negotiations with potential strategic partners each of which is a member of the cluster to “custom tailor” its intellectual property and component products for use in a commercial end product.

On June 6, 2012, the Company announced that negotiations with two creditors have led to a standstill agreement and restructuring of approximately $1,500,000 in floating rate convertible securities into 8% fixed rate debt instruments with payments commencing on October 1, 2012 at an aggregate amount of approximately $70,000 per month for two years The beneficial effect of restructuring of the variable convertibility feature should give the Company the control it needs to cease the automatic dilution outside of the Company’s control of its issued and outstanding common stock. The debt restructuring should allow the company the flexibility it needs to obtain other funding.

During fiscal year ended June 30, 2012, the Company announced that it had successfully completed a prototype of a new automotive and marine product designed by a premiere European automotive company of luxury cars. A series of prototypes has resulted in a significant reduction in size and increased functionality of the product. The Company believes that the small footprint and distinguished designed may have significant appeal to both original equipment manufacturers and the automotive and marine aftermarket. The Company, pending establishment of a complete marketing and distribution network for the product, has not disclosed the product’s identity in order to first establish a “first to market presence” against potential competitors. The Company has identified and had discussions with a marketing agency and launch firm for the new product.

During fiscal year 2013, the Company announced the filing and/or awards of a number of patents significant to the ability to control a liquid on a “smart surface” with applications beyond the field of energy storage devices to include a potential drug delivery technology capable of delivering controlled dosages of drugs for medication. In addition in fiscal year 2013 the Company announced the development of prototypes of its new automotive product designed to provide energy to jump start a dead battery in an automobile. The Company believes, with proper funding, this product can potentially generate significant revenues in future years based upon its functionality and small size.

During fiscal year ended June 30, 2014, the Company announced the beginning of sales of its jump-it and mini jump-it products through its wholly-owned subsidiary mPower Technologies, Inc. The products are designed to jump start dead batteries in cars, marine products and small electronic devices.

Products & Services

Since its inception in 1996, mPhase has been a development stage company focused on the development of intellectual property involving high technology innovative solutions and products with high-growth potential. The Company has served as an incubator for exploratory research and initial development for products that are best characterized as having a high risk/high reward profile since they involve exploratory research to achieve significant scientific breakthroughs from existing products that can have a substantial economic impact and benefit upon successful commercialization.

NanoBattery

The Smart NanoBattery is an outgrowth of the science of nanotechnology that the Company began in February of 2004 with the entry into a Project Development Agreement with the Bell Labs Division of Lucent Technologies, Inc. The Company has historically outsourced its Research and Development of new products to larger companies or institutions with significant scientific resources and experience in exploratory research. mPhase Technologies along with Alcatel/Lucent/Bell Labs jointly conducted research from February 2004 through April of 2007 that demonstrated control and manipulation of fluids on superhydrophobic surfaces to create power cells by controlling wetting behavior of electrolytes on nano structured electrode surfaces. This scientific research set the ground work for continued exploration in the development of intelligent nanotechnology power cells (nano-batteries), and formed a path to commercialization of the technology for a broad range of market opportunities. During 2005 and 2006, the battery team tested modifications and enhancements to the internal design of the battery to optimize its power and energy density characteristics, as well as engineering improvements that were essential in moving the battery from a zinc based chemistry to a design using lithium based chemistry The Company established a strategic research working relationship with the Energy Storage Research Group (ESRG), a center of excellence in Rutgers University that has lab research facilities capable of handling lithium based battery development.

mPhase's current flagship product is its Smart NanoBattery that has a significantly longer shelf life prior to initial activation than that of conventional batteries. The Smart NanoBattery has potentially significant applications for critical mission power sources that must be reliable and available upon command by the electronic device it is powering. Such applications involve emergency flashlights and beacons, back-up power sources for computers and life support products, as well as significant military applications where critical mission backup power is essential for weapons control computers and electronic warfare equipment used in combat. Other potential military applications include power sources activated by g-forces for guided munitions.

The Smart NanoBattery utilizes a proprietary technology developed over a period of 5 years. The battery design, prior to initial activation, has a membrane that separates the electrolyte and electrodes used to generate power. Conventional batteries do not provide for such separation and therefore their power begins to dissipate prior to the first time they are activated causing them to lose capacity. Conventional batteries have significant limits on how long they can be stored prior to their first activation and in providing a reliable source of power needed for critical applications requiring portable power supplies.

Competitive Business Conditions

Battery Segment

The design and functionality of the mPhase lithium Smart NanoBattery make it unique to the portable electronics battery market segment. To the best of our knowledge, there is no existing product that directly competes with the Smart NanoBattery in terms of its combination of small size and reserve design. As a reserve battery, the Smart NanoBattery remains dormant until it is activated on command. It does not self-discharge or die prior to its first activation, thereby offering extremely long shelf life prior to use as either a primary or backup battery in a device. Shelf life is projected to be in excess of twenty years.

There are numerous thin film batteries based on lithium metal, lithium ion and lithium polymer, as well as other chemistries, used in military devices, portable electronics, RFID tags and wireless sensor networks, that are similar in size to the Smart NanoBattery, often referred to as microbatteries. None of these designs is based on reserve battery architectures. Thin film batteries are manufactured by companies including Cymbet Corporation, Front Edge Technology, Infinite Power Solutions, ITN Energy Systems, Johnson Research and Development Company, KSW Microtec, Lithium Technology Corporation, MPower Solutions, Oak Ridge Micro-Energy, Power Paper, Solicore, VoltaFlex Corporation. Large companies such as Energizer, Ultralife, Varta and Proctor & Gamble are also involved with developing thin film batteries. Thin film battery markets are anticipated to grow substantially as the result of a wide expansion of portable devices in that time frame. With 3.5 billion cell phone users and 67 billion RFID tags per year anticipated during year 2012, it is expected that there will be substantial commercial demand for thin film batteries.

Traditional reserve batteries are distinct from the mPhase/AlwaysReady Smart NanoBattery in terms of size and activation mechanism. The market for reserve batteries has largely been limited to the military for supplying power to munitions and other mission-critical electronic devices. The traditional reserve battery tends to be larger and certain types are built by hand and contain mechanical parts to activate the battery. The Smart NanoBattery relies on the phenomenon of electrowetting to initiate activation or a mechanical barrier that can be broken, in the case of the breakable barrier design. Traditional reserve batteries for military applications have been supplied by companies such as EaglePicher, Yardney and Storage Battery Systems, Inc. The Company believes that it may be able to significantly reduce the cost of its Smart Nanobattery with the recent discovery of the potential of “printing” the battery on a form of graphite rather than traditional silicon surface. The Company, through its working relationship with Stevens Institute, began in fiscal year 2012 to investigate the feasibility of the use of graphite which is much stronger, flexible and inexpensive than traditional silicon.

Battery Jump Starter and Automotive Product Market

The Company believes that there may be a significant market for its mPower Jump product capable of providing energy to start cars with dead batteries The Company is now placing significant emphasis and focus on this product as a means to generate future revenues and profitability. The mPower Jump was designed by Porsche Design Studio and Porsche engineering. It contains a very small footprint and will fit in the glove compartment of most cars,. The need for absolute reliability in many emergency situations includes those of fire, police and other emergency service providers. Since the market for new and innovative portable electronic solutions continues to expand, especially in the field of wireless devices, the Company believes that its emergency Jump Starter may benefit from this trend. . In fiscal year 2015 the Company plans to access capital from foreign investors by utilizing an innovative financing program sponsored by the U.S. government to assist emerging growth and development companies create new jobs in the United States. Such additional capital will enable the Company to expand its product line for jump starters of dead batteries and its global marketing of such products.

Outsourcing

Research and Development

The Company practices an outsourcing model whereby it contracts with third party vendors to perform research and development rather than performing the bulk of these functions internally. For current development of its SmartNano battery, the Company has outsourced the majority of the work. From February of 2004 through March of 2007, the Company engaged Lucent/Bell Labs to develop, using the science of nanotechnology, micro power cell arrays creating a structure for zinc batteries that separated the chemicals or electrolytes prior to initial activation. This was done by suspending on nano grass or small spoke-like pieces of silicon a liquid electrolyte taking advantage of a superhydrophobic effect that occurs as a result of the ability to manipulate materials of a very small size or less than 1/50,000 the size of a human hair. The Company has, as a result of outsourcing, been able to have access to facilities, equipment and research capabilities that the Company would not be able to develop on its own given the financial resources and time that would be required to build or acquire such research capabilities. The Company has also been able to achieve key strategic alliances with the U.S. Army to successfully test, under military combat conditions, its SmartBattery design, leading to further validation of its path to product development under a Cooperative Research and Development Agreement (CRADA). In addition, the Company has formed a relationship with Energy Storage Research Group, a center of excellence at Rutgers University, in New Jersey, that has enabled the Company to expand its battery development from a zinc to a lithium battery capable of delivering significantly more power. During fiscal years 2009 and 2010, the Company outsourced considerable foundry work for final development of the Smart NanoBattery to Silex, a Swedish company.

During the period from March of 2005 to April of 2007, the Company engaged the Bell Labs division of Lucent Technologies, Inc. to develop a magnetometer or electronic sensor also using the science of nanotechnology. Although the Company has, in order to conserve financial resources, currently suspended further development of its magnetometer product line, we believe that the intellectual property developed from the research to date could be resumed to develop viable military and industrial products depending upon future financial resources of the Company and future competitive market conditions.

During fiscal year ended June 30, 2013, the Company has not engaged in any further outsourcing for product development in order to conserve resources. During fiscal year 2014 the Company began outsourcing the development and manufacturing of a cost reduced version of its battery jump starter products.

Prototype Development

As the Company has moved from development to commercialization of its jump starter products. , the Company outsourced the creation of original prototypes to Porsche Design Studio and further cost reduced such products with other vendors. The Company is again working with Porsche Design Studio on development and distribution of a luxury or high –end jump starter for the automotive market . As of June 30, 2014, the Company has an outstanding payable of approximately $415,448 to Porsche Design Studio for the design and delivery of the mPower illuminator and prototypes of its mPower Jump product.

Manufacturing

mPhase subcontracts all of the manufacturing of its products to outside sources including related parties such as Microphase Corporation. During fiscal year ended June 30, 2014 the Company paid no additional research expenses to outside third parties for development and product manufacturing of its jump starter products nor to Microphase Corporation. The Company believes that any payments historically charged by Microphase Corporation are the same as would be charged by other management services provided by non-affiliated third party providers of such services. By using contract manufacturers, mPhase avoids the substantial capital investments required for internal production.

Patents and Licenses

We have filed and intend to file United States patents, in some cases EU patents and/or copyright applications relating to some of our proposed products and technologies, either with our collaborators, strategic partners or on our own. There can be no assurance however, that any of the patents obtained will be adequate to protect our technologies or that we will have sufficient resources to enforce our patents.

Because we may license our technology and products in foreign markets, we may also seek foreign patent protection for some specific patents. With respect to foreign patents, the patent laws of other countries may differ significantly from those of the United States as to the patentability of our products or technology. In addition, it is possible that competitors in both the United States and foreign countries, many of which have substantially greater resources and have made substantial investments in competing technologies, may have applied for, or may in the future apply for and obtain, patents, which will have an adverse impact on our ability to make and sell our products. There can also be no assurance that competitors will not infringe on our patents or will not claim that we are infringing on their patents. Defense and prosecution of patent suits, even if successful, are both costly and time consuming. An adverse outcome in the defense of a patent suit could subject us to significant liabilities to third parties, require disputed rights to be licensed from third parties or require us to cease our operations.

The Company has intellectual property as follows:

Nano Technology, Micro Electrical Mechanical Systems (MEMS) and Battery Portfolio:

Various aspects of the mPhase technology are protected by patents either owned directly by the Company or with respect to which the Company has full sub-licensing rights. The Company’s current battery related patent portfolio consists of seven issued patents, of which one is jointly owned with Rutgers University, two are jointly owned with

Lucent Technologies and four are licensed from Lucent Technologies. These cover such aspects of the technology as the ability to use electrowetting to create a moveable liquid lens, methodology and apparatus for reducing friction between a fluid and a body, methodology for etching planar silicon substrates to develop a reserve battery device, methodology and apparatus for controlling the flow resistance of a fluid on nanostructured or microstructured surfaces, methodology for creating a structured membrane with controllable permeability, methodology for a nanostructured battery with end of life cells, and methodology for making a multi-cell battery system with multiple chemistries in each individual cell of the battery pack. Some of these patents are specific to the development of a battery device while others are more generalized. The Company also has four patent applications related to the Smart Surfaces technology that have been filed with the United States Patent Office and other foreign patent offices and that are in various stages of examiner review, as well as four additional patent applications related to other Smart Surfaces technologies under review.

The Company has obtained trademark protection for its mPower Emergency Illuminator and mPower on Command, and it currently has one additional trademark application pending.

Other Patents

On July 12, 2005, mPhase announced that it had been granted a U.S. patent that covers a series of techniques for splitting different voice and data signals in DSL access networks that is used in its Broadband Loop Watch product. The Company has discontinued further development and marketing of this product owing to the lack of demand for loop diagnostics systems by telephone service providers.

Various aspects of the mPhase technology are protected by patents either owned directly by the Company or with respect to which the Company has full sub-licensing rights. The Company's current battery related patent portfolio consists of seven issued patents, of which one is jointly owned with Rutgers University, two are jointly owned with Lucent Technologies and four are licensed from Lucent Technologies. These cover such aspects of the technology as the ability to use electrowetting to create a moveable liquid lens, methodology and apparatus for reducing friction between a fluid and a body, methodology for etching planar silicon substrates to develop a reserve battery device, methodology and apparatus for controlling the flow resistance of a fluid on nanostructured or microstructured surfaces, methodology for creating a structured membrane with controllable permeability, methodology for a nanostructured battery with end of life cells, and methodology for making a multi-cell battery system with multiple chemistries in each individual cell of the battery pack. Some of these patents are specific to the development of a battery device while others are more generalized. The Company also has four patent applications related to the Smart Surfaces technology that have been filed with the United States Patent Office and other foreign patent offices and that are in various stages of examiner review, as well as four additional patent applications related to other Smart Surfaces technologies under review.

The Company has obtained trademark protection for its mPower Emergency Illuminator and mPower on Command, and it currently has one additional trademark application pending.

In July of 2009, the Company filed for 3 new patents covering the unique design features of its manually-activated lithium reserve battery and emergency flashlight products.

On May 20, 2011, the Company announced that it had been granted a U.S. patent for multi-chemistry battery architecture.

As of fiscal year ended June 30, 2012, the Company has filed the following patents:

	Title	Awarded	Pending
1	Electrical Device Having A Reserve Battery Activation System		X
2	Combined Wetting/Non-Wetting Element for Low & High Surface Tension Liquids		X
3	Non-Pump Enabled Drug Delivery System		X
4	Device For Fluid Spreading & Transport		X
5	Adjustable Barrier For Regulating Flow of a Liquid		X
6	Reserve Battery System		X
7	Modular Device		X
8	Event Activated Micro Control Devices		X
9	Portable Battery Booster		X
10	Battery System	X	
11	Reserve Battery		X

12	Tunable liquid microlens with lubrication assisted electrowetting	X
13	Method and apparatus for reducing friction between a fluid and a body	X
14	Battery having a nano structured electrode surface	X
15	Method and apparatus for controlling the flow resistance of a fluid on nano structured or micro structured surfaces	X
16	Structured membrane with controllable permeability	X
17	Nanostructure battery having end of life cells	X

We also rely on unpatented proprietary technology, and we can make no assurance that others may not independently develop the same or similar technology or otherwise obtain access to our unpatented technology. In fiscal year 2013 the Company obtained a new patent relating to microfluidics for controlled dosages of liquid that could be used in a drug delivery system.

Research and Development

From March of 2005 through March of 2007, the Company had engaged Bell Labs under separate Development Agreements for the development of a new generation of ultra-magnetic sensors (magnetometers) using the science of nanotechnology with a total cost of $2.4 million. The Company did not renew such its engagement with Bell Labs upon expiration and did not incur any further costs with respect to its magnetometer since the Company has suspended further development of the product to conserve financial resources.

On September 23, 2008, the Company announced that its internal research and development effort had resulted in the successful creation of a compact lithium reserve battery reserve battery prototype with a breakable separator capable of powering a high-intensity emergency flashlight. The manually-activated reserve battery is based upon the same principles of separation of liquid electrolyte from solid electrodes as the Company's Smart NanoBattery but was developed based upon traditional mechanical engineering technology.

Our Smart NanoBattery and power cell technology research and development was performed by the Bell Labs division of Alcatel/Lucent from February of 2004 through March of 2007 at an aggregate cost of $3.8 million. The Company paid Bell Labs $300,000 covering the period from April 27, 2007 through July 30, 2007, at which time it determined that, in order to develop a lithium battery for higher density energy than zinc, it required facilities capable of handling lithium battery research that Bell Labs does not have. The Company engaged a number of small foundries during fiscal year ended June 30, 2008 for commercialization of its Smart NanoBattery at a cost of approximately $150,000. In fiscal year ended June 30, 2009, the Company engaged Eagle Picher at a cost of $75,000 to design and engineer a prototype of its manually-activated lithium reserve battery and Porsche Design studio at a cost of $79,123 for design of its emergency flashlight product. In addition, the Company secured a Co-Branding Agreement with Porsche Design Studio for its emergency flashlight product. In fiscal year ended June 30, 2010, the Company paid $950,018 in connection with producing and bringing this product to market, and in fiscal year ended June 30, 2011, the Company incurred $33,254 of expenses in connection with this product. During the fiscal year ended June 30, 2009, the Company engaged Silex, a silicon foundry in Sweden, at a cost of $21,200 for further development of its Smart NanoBattery; payments to Silex for fiscal year ended June 30, 2010 in connection with the Smart NanoBattery amounted to $396,780, and for fiscal year ended June 30, 2011 they were $40,800.

During fiscal years ended June 30, 2008, June 30, 2009 and June 30, 2010, the Company engaged in joint research with Rutgers University in connection with a $750,000 STTR Grant from the United States Army for purposes of developing an emergency reserve battery to back-up a computer memory application.

During fiscal years ended June 30, 2009, June 30, 2010 and June 30, 2011, the Company engaged MKE, an approved vendor of Porche Design Studio to manufacture prototypes as well as a series of commercialized emergency flashlights utilizing the design developed for the Company by Porsche Design Studio.

Commencing in fiscal year ended June 30, 2011, the Company engaged Porsche Design Studio to develop a jump starter for a dead battery as an additional automotive product for the Company. During fiscal year ended June 30, 2012, the Company continued the development of its Smart Nano Battery and progressed in the development of a final prototype of its jump starter product. In fiscal years ended June 30, 2013 and June 30, 2014 the Company cost-reduced its jump-starter product and began sales of its jump starter and mini jump starter products.

Employees

mPhase and its subsidiary companies presently have a total of 6 full-time employees and consultants, two of whom are also employed by Microphase Corporation. See the description in the section entitled Certain Relationships and Related Transactions.

ITEM 1A. RISK FACTORS

Risks Relating to the Company's Early Stage of Development

Our business is at an early stage of development and we may not develop products that can be commercialized.

We have derived very limited revenues from a Phase I Army Grant of approximately $100,000 and a Phase II Army Grant of approximately $750,000 with respect to our Smart NanoBattery product from inception of development in February 2004 through March 30, 2011. We have derived revenues of only $41,572 from our Emergency Flashlight product from inception of sales in April of 2010 through June 30, 2014 and we have generated sales of our mPower Jump and mPower mini Jump products and accessories of $581,261 during the fiscal year ended June 30, 2014.

We have limited manufacturing, marketing, distribution and sales capabilities which may limit our ability to generate revenues.

Due to the relatively early stage of our products, we have not yet invested in manufacturing, marketing, distribution or product sales resources. We cannot assure you that we will be able to invest or develop any of these resources successfully or as expediently as necessary. The inability to do so may inhibit or harm our ability to generate revenues or operate profitably.

We have a history of operating losses and we may not achieve future revenues or operating profits.

We have generated modest revenue to date from our operations. Historically we have had net operating losses each year since our inception. As of June 30, 2014, we have an accumulated deficit of $(209,636,008) and a stockholders' deficit of $(3,554,585) and incurred a net loss of $(5,944,467). We incurred net losses of $5,994,585 and $220,634 for the years ended June 30, 2014 and June 30, 2013, respectively. The Company has just begun generating revenues from sales of $581,261for the year ended June 30, 2014. Prior to such period the Company did not generate significant revenue outside of STTR grants and minor sales of its emergency illuminator product. Additionally, even if we are able to commercialize our technologies or any products or services related to our technologies it is not certain that they will result in profitability.

We have a limited operating history on which investors may evaluate our operations and prospects for profitable operations.

If we continue to suffer losses as we have in the past, investors may not receive any return on their investment and may lose their entire investment. Our prospects must be considered speculative in light of the risks, expenses and difficulties frequently encountered by companies in their early stages of development, particularly in light of the uncertainties relating to the new, competitive and rapidly evolving markets in which we anticipate we will operate. To attempt to address these risks, we must, among other things, further develop our technologies, products and services, successfully implement our research, development, marketing and commercialization strategies, respond to competitive developments and attract, retain and motivate qualified personnel. A substantial risk is involved in investing in us because, as an early stage company we have fewer resources than an established company, our management may be more likely to make mistakes at such an early stage, and we may be more vulnerable operationally and financially to any mistakes that may be made, as well as to external factors beyond our control.

Risks Relating to Technology

We are dependent on new and unproven technologies.

Our risks as an early stage company are compounded by our heavy dependence on emerging and sometimes unproven technologies such as our SmartNanobattery. If these technologies do not produce satisfactory results, our business may be harmed.

We may not be able to commercially develop our technologies and proposed product lines, which, in turn, would significantly harm our ability to earn revenues and result in a loss of investment.

Our ability to commercially develop our technologies will be dictated in, large part, by forces outside our control which cannot be predicted, including, but not limited to, general economic conditions. Other such forces include the success of our research and field testing, the availability of collaborative partners to finance our work in pursuing applications of “smart surfaces” or other developments in the field which, due to efficiencies or technological breakthroughs may render one or more areas of commercialization more attractive, obsolete or competitively unattractive. It is possible that one or more areas of commercialization will not be pursued at all if a collaborative partner or entity willing to fund research and development cannot be located. Our decisions regarding the ultimate products and/or services we pursue could have a significant adverse effect on our ability to earn revenue if we misinterpret trends, underestimate development costs and/or pursue wrong products or services. Any of these factors either alone or in concert could materially harm our ability to earn revenues or could result in a loss of any investment in us.

22

If we are unable to keep up with rapid technological changes in our field or compete effectively, we will be unable to operate profitably.

We are engaged in activities in the nanotechnology and microfluidics field, which is characterized by extensive research efforts and rapid technological progress. If we fail to anticipate or respond adequately to technological developments, our ability to operate profitably could suffer. We cannot assure you that research and discoveries by other companies will not render our technologies or potential products or services uneconomical or result in products superior to those we develop or that any technologies, products or services we develop will be preferred to any existing or newly-developed technologies, products or services.

Risks Related to Intellectual Property

Certain aspects of our technology are not protectable by patent.

Certain parts of our know-how and technology are not patentable. To protect our proprietary position in such know-how and technology, we require all employees, consultants, advisors and collaborators with access to our technology to enter into confidentiality and invention ownership agreements with us. We cannot assure you; however, that these agreements will provide meaningful protection for our trade secrets, know-how or other proprietary information in the event of any unauthorized use or disclosure. Further, in the absence of patent protection, competitors who independently develop substantially equivalent technology may harm our business.

Patent litigation presents an ongoing threat to our business with respect to both outcomes and costs.

It is possible that litigation over patent matters with one or more competitors could arise. We could incur substantial litigation or interference costs in defending ourselves against suits brought against us or in suits in which we may assert our patents against others. If the outcome of any such litigation is unfavorable, our business could be materially adversely affected. To determine the priority of inventions, we may also have to participate in interference proceedings declared by the United States Patent and Trademark Office, which could result in substantial cost to us. Without additional capital, we may not have the resources to adequately defend or pursue this litigation.

We may not be able to protect our proprietary technology, which could harm our ability to operate profitably.

Patent and trade secret protection is critical for the new technologies we utilize, nanotechnology and microfluidics, as well as the products and processes derived through them. Our success will depend, to a substantial degree, on our ability to obtain and enforce patent protection for our products, preserve any trade secrets and operate without infringing the proprietary rights of others. We cannot assure you that:

- we will succeed in obtaining any patents in a timely manner or at all, or that the breadth or degree of protection of any such patents will protect our interests,
- the use of our technology will not infringe on the proprietary rights of others,
- patent applications relating to our potential products or technologies will result in the issuance of any patents or that, if issued, such patents will afford adequate protection to us or not be challenged, invalidated or infringed, and
- patents will not issue to other parties, which may be infringed by our potential products or technologies.
- we will continue to have the financial resources necessary to prosecute our existing patent applications, pay maintenance fees on patents and patent applications, or file patent applications on new inventions.

The fields in which we operate have been characterized by significant efforts by competitors to establish dominant or blocking patent rights to gain a competitive advantage, and by considerable differences of opinion as to the value and legal legitimacy of competitors' purported patent rights and the technologies they actually utilize in their businesses.

Patents obtained by other persons may result in infringement claims against us that are costly to defend and which may limit our ability to use the disputed technologies and prevent us from pursuing research and development or commercialization of potential products.

If third party patents or patent applications contain claims infringed by either our technology or other technology required to make and use our potential products and such claims are ultimately determined to be valid, there can be no assurance that we would be able to obtain licenses to these patents at a reasonable cost, if at all, or be able to develop or obtain alternative technology. If we are unable to obtain such licenses at a reasonable cost, we may not be able to develop some products commercially. We may be required to defend ourselves in court against allegations of infringement of third party patents. Patent litigation is very expensive and could consume substantial resources and create significant uncertainties. Any adverse outcome in such a suit could subject us to significant liabilities to third parties, require disputed rights to be licensed from third parties, or require us to cease using such technology.

We may not be able to adequately defend against piracy of intellectual property in foreign jurisdictions.

Considerable research in the areas of micro fluid dynamics is being performed in countries outside of the United States, and a number of potential competitors are located in these countries. The laws protecting intellectual property in some of those countries may not provide adequate protection to prevent our competitors from misappropriating our intellectual property. Several of these potential competitors may be further along in the process of product development and also operate large, company-funded research and development programs. As a result, our competitors may develop more competitive or affordable products, or achieve earlier patent protection or product commercialization than we are able to achieve. Competitive products may render any products or product candidates that we develop obsolete.

We may incur substantial expenditures in the future in order to protect our intellectual property.

We believe that our intellectual property with respect to our Smart NanoBattery and our proprietary rights with respect to the Company's permeable membrane design consisting of both micro and nano scale silicon features that are coated with a monolayer chemistry used to repel liquids is critical to our future success. The Company’s current battery related patent portfolio consists of seven issued patents, of which one is jointly owned with Rutgers University, two are jointly owned with Lucent Technologies and four are licensed from Lucent Technologies. We also have four patent applications related to the Smart Surfaces technology that have been filed with the United States Patent Office and other foreign patent offices that are in various stages of examiner review, as well as four additional patent applications related to other Smart Surfaces technologies under review. Our pending patent applications may never be granted for various reasons, including the existence of conflicting patents or defects in our applications. Even if additional U.S. patents are ultimately granted, there are significant risks regarding enforcement of patents in international markets. There are many patents being filed as the science of nanotechnology develops and the Company has limited financial resources compared to large, well established companies to bring patent litigation based upon

claims of patent infringement.

Our products may not be accepted in the marketplace.

The degree of market acceptance of those products will depend on many factors, including:

Our ability to manufacture or obtain from third party manufacturers sufficient quantities of our product candidates with acceptable quality and at an acceptable cost to meet demand, and

Marketing and distribution support for our products.

We cannot predict or guarantee that either military or commercial entities, in general, will accept or utilize any of our product candidates. Failure to achieve market acceptance would limit our ability to generate revenue and would have a material adverse effect on our business. In addition, if any of our product candidates achieve market acceptance, we may not be able to maintain that market acceptance over time if competing products or technologies are introduced that are received more favorably or are more cost-effective.

Risks Related to Third Party Reliance

We depend on third parties to assist us in the development of new products extensively, and any failure of those parties to fulfill their obligations could result in costs and delays and prevent us from successfully commercializing our product candidates on a timely basis, if at all.

We engage consultants and contract research organizations to help design, develop and manufacture our products. We are dependent on third parties outside of the United States to provide us with production facilities for our automotive line of products including those located in the Peoples Republic of China. The consultants and contract research organizations we engage provide us critical skills, resources and finished products for sale that we do not have within our own company. As a result, we depend on these consultants and contract research and product supply organizations to deliver our existing automotive products and to perform the necessary research and development to create new products. We may face delays in developing and bringing new products to market if these parties do not perform their obligations in a timely or competent fashion or if we are forced to change service providers.

We depend on our collaborators to help us develop and test our proposed products, and our ability to develop and commercialize products may be impaired or delayed if collaborations are unsuccessful.

Our strategy for the development, testing and commercialization of our proposed products requires that we enter into collaborations with corporate partners, licensors, licensees and others. We are dependent upon the subsequent success of these other parties in performing their respective responsibilities and the continued cooperation of our partners. Under agreements with collaborators, we may rely significantly on such collaborators to, among other things:

Fund research and development activities with us;

Pay us fees upon the achievement of milestones under STIR and SBIR programs; and

Market with us any commercial products that result from our collaborations.

Our collaborators may not cooperate with us or perform their obligations under our agreements with them. We cannot control the amount and timing of our collaborators' resources that will be devoted to our research and development activities related to our collaborative agreements with them. Our collaborators may choose to pursue existing or alternative technologies in preference to those being developed in collaboration with us.

The development and commercialization of potential products will be delayed if collaborators fail to conduct these activities in a timely manner, or at all.

If various outside vendors and collaborators do not achieve milestones set forth in our agreements, or if our collaborators breach or terminate their collaborative agreements with us, our business may be materially harmed.

Our reliance on the activities of our non-employee consultants, research institutions, and scientific contractors, whose activities are not wholly within our control, may lead to delays in development of our proposed products.

We rely extensively upon and have relationships with outside consultants and companies having specialized skills to conduct research. These consultants are not our employees and may have commitments to, or consulting or advisory contracts with, other entities that may limit their availability to us. We have limited control over the activities of these consultants and, except as otherwise required by our collaboration and consulting agreements to the extent they exist, can expect only limited amounts of their time to be dedicated to our activities. These research facilities may have commitments to other commercial and non-commercial entities. We have limited control over the operations of these collaborators and can expect only limited amounts of time to be dedicated to our research and product development goals.

Product Development Risks

We have limited resources to manage development activities.

Our limited resources in conducting and managing development activities might prevent us from successfully designing or implementing new products. If we do not succeed in conducting and managing our development activities, we might not be able to commercialize our product candidates, or might be significantly delayed in doing so, which will materially harm our business.

Our ability to generate revenues from any of our product candidates will depend on a number of factors, including our ability to successfully complete and implement our commercialization strategy. In addition, even if we are successful in bringing one or more product candidates to market, we will be subject to the risk that the marketplace will not accept those products. We may, and anticipate that we will need to, transition from a company with a research and development focus to a company capable of supporting commercial activities and we may not succeed in such a transition.

Because of the numerous risks and uncertainties associated with our product development and commercialization efforts, we are unable to predict the extent of our future losses or when or if we will become profitable.

Our failure to successfully commercialize our product candidates or to become and remain profitable could depress the market price of our Common Stock and impair our ability to raise capital, expand our business, diversify our product offerings and continue our operations.

Risks Related to Competition

The market for energy storage products is highly competitive.

We expect that our most significant competitors will be large more established companies. These companies are developing products that compete with ours and they have significantly greater capital resources in research and development, manufacturing, testing, obtaining regulatory approvals, and marketing capabilities. Many of these potential competitors are further along in the process of product development and also operate large, company-funded research and development programs. As a result, our competitors may develop more competitive or affordable products, or achieve earlier patent recognition and filings.

Our industry is characterized by rapidly evolving technology and intense competition. Our competitors include major multinational energy-storage device and battery companies as well as nanotechnology companies that specialize in micro fluid dynamics and smart surfaces.

Many of these companies are well-established and possess technical, research and development, financial and sales and marketing resources significantly greater than ours. In addition, certain smaller nanotechnology companies have formed strategic collaborations, partnerships and other types of joint ventures with larger, well established industry competitors that afford these companies' potential research and development and commercialization advantages. Academic institutions, governmental agencies and other public and private research organizations are also conducting and financing research activities which may produce products directly competitive to those we are developing. Moreover, many of these competitors may be able to obtain patent protection, obtain regulatory approvals and begin commercial sales of their products before we do.

In the general area of energy storage and micro fluid dynamics, we compete with a variety of companies, including Duracell, Eveready and Ultralife.

Each of these companies is well-established and has substantial technical and financial resources compared to us. Many smaller companies may also be developing products in the rapidly changing area of energy storage and advanced micro fluid dynamics. These smaller companies may become significant competitors through rapid evolution of new technologies. Any of these companies could substantially strengthen their competitive position through strategic alliances or collaborative arrangements with larger companies.

Our competition includes both public and private organizations and collaborations among academic institutions and large companies, most of which have significantly greater experience and financial resources than we do.

Private and public academic and research institutions also compete with us in the research and development of nanotechnology products based on micro-fluid dynamics. In the past several years, the nanotechnology industry has selectively entered into collaborations with both public and private organizations to explore the development of new products evolving out of research in micro-fluid dynamics.

The energy storage device and battery business are each characterized by intense competition. We compete against numerous companies, both domestic and foreign, many of which have substantially greater experience and financial and other resources than we have.

Companies such as Duracell, Eveready and Ultralife, as well as others, many of which have substantially greater resources and experience in our fields than we do, are well situated to effectively compete with us. Any of the world's largest battery companies represents a significant actual or potential competitor with vastly greater resources than ours. These and other competitive enterprises have devoted, and will continue to devote, substantial resources to the development of technologies and products in competition with us.

RISKS RELATED TO FINANCIAL ASPECTS OF OUR BUSINESS

We may not be able to raise the required capital to conduct our operations and develop and commercialize our products. We require substantial additional capital resources in order to conduct our operations and develop and commercialize our products and run our facilities. We will need significant additional funds or collaborative partners, or both, to finance the research and development activities of our potential products. Accordingly, we are continuing to pursue additional sources of financing. Our future capital requirements will depend upon many factors, including:

The continued progress and cost of our research and development programs,

The costs in preparing, filing, prosecuting, maintaining and enforcing patent claims,

The costs of developing sales, marketing and distribution channels and our ability to sell the products if developed,

The costs involved in establishing manufacturing capabilities for commercial quantities of our proposed products,

Competing technological and market developments,

Market acceptance of our proposed products,

The costs for recruiting and retaining employees and consultants.

Additional financing through strategic collaborations, public or private equity financings or other financing sources may not be available on acceptable terms, or at all. Additional equity financing could result in significant dilution to our shareholders. Further, if additional funds are obtained through arrangements with collaborative partners, these arrangements may require us to relinquish rights to some of our technologies, product candidates or products that we would otherwise seek to develop and commercialize on our own. If sufficient capital is not available, we may be required to delay, reduce the scope of or eliminate one or more of our programs or potential products, any of which could have a material adverse effect on our financial condition or business prospects.

Risks Relating to Our Debt Financings

If we are required for any reason to repay our outstanding convertible debt we would be required to deplete our working capital, if available, or raise additional funds. Our failure to repay the convertible debentures, if required, could result in legal action against us, which could require the sale of substantial assets or liquidation of the Company.

We had outstanding, as of June 30, 2014, $1,847,491 aggregate principal amount, ($1,562,217), plus accrued interest, ($285,274), of convertible debt, that could be converted into approximately 1,730,922,492 shares of common stock. Sales of a substantial number of shares of our Common Stock in the public market could adversely affect the market price for our Common Stock and make it more difficult for you to sell shares of our Common Stock at times and prices that you feel are appropriate.

The issuance of shares upon conversion of the convertible debt will cause immediate and substantial dilution to our existing stockholders.

The issuance of shares upon conversion of the convertible debt and shares issued under our equity line of credit will result in substantial dilution to the interests of other stockholders since the selling security holders may ultimately convert and sell the full amount issuable on conversion. Although no single selling security holder may convert its convertible debentures and/or exercise its warrants if such conversion or exercise would cause it to own more than 4.99% of our outstanding Common Stock, this restriction does not prevent each selling security holder from converting some of its holdings and then converting the rest of its holdings. In this way, each selling security holder could sell more than this limit while never holding more than this limit. There is no upper limit on the number of shares that may be issued, which will have the effect of further diluting the proportionate equity interest and voting power of holders of our Common Stock.

The Company is currently engaged in litigation with John Fife, its second largest holder of a Convertible Note issued on September 13, 2011 in the original principal amount of $557,500. Although the Company believes it has

significant legal defenses to the enforcement of the Note, the failure of the Company to prevail in this litigation could result in liabilities including attorneys fees that would have a material negative impact on the Company's continuing operations. The Company is unable to predict the outcome of such litigation at this time..

The Company has been forced to curtail development of all products except its Smart NanoBattery and two automotive products in order to conserve financial resources

The Company has been forced to focus on commercialization of only two of its products, thereby eliminating product diversification. The Company's lack of financial resources to simultaneously develop multiple products increases its overall risk profile as a development-stage company.

mPhase's stock price has suffered significant declines during the past ten years and remains volatile.

The market price of our common stock closed at $7.88 on July 26, 2000 and at $.008 on August 3, 2014. During such period the number of shares outstanding of the Company increased from approximately 30 million shares to approximately 13.8 billion shares. This increase was the result of periodic private placements and other financing arrangements involving convertible debt issued by the Company in order to finance company operations. Stocks in microcap companies having stock values below $1.00 per share have been very volatile during such period. Our common stock is a highly speculative investment and is suitable only for such investors with financial resources that enable them to sustain the loss of their entire investment in such stock. Because the price of our common stock is less than $5.00 per share and is not traded on the NASDAQ National or NASDAQ Small Cap exchanges, it is considered to be a "penny stock," limiting the type of customers that broker/dealers can sell to. Such customers consist only of "established customers" and "Accredited Investors" (within the meaning of Rule 501 of Regulation D of the Securities Act of 1933, as amended),generally individuals and entities of substantial net worth, thereby limiting the liquidity of our common stock.

We may not be able to raise sufficient capital to market our SmartNanoBattery and Emergency Flashlight applications of our technology on any meaningful scale.

We may not be able to obtain the amount of additional capital needed until the Company has established significant and predictable sales and revenues from our technology. We have been successful in the past as a micro-cap development stage company in raising capital; however, recent trends in the capital markets are likely to pose significant challenges for the Company. Factors affecting the availability of capital include:

(1) the price, volatility and trading volume of our common stock;
(2) future financial results including sales and revenues generated from operations;
(3) the market's view of the business sector of nanotechnology reserve batteries and emergency flashlights; and
(4) the perception in the capital markets of our ability to execute our business plan.

We have reported net operating losses for each of our fiscal years from our inception in

We have reported net operating losses for each of our fiscal years from our inception in 1996 through the fiscal year ended June 30, 2014 and may not be able to operate profitability in the future.

We have had net losses of approximately $(209.6) million since our inception in 1996 including approximately $(5.94) million and $(260,634) for the fiscal years ended June 30, 2014 and June 30, 2013, respectively and cannot be certain when or if we will ever be profitable. Despite the beginning of revenue generation from our jump it and mini jump it products,we expect to continue to have net losses for the foreseeable future. We need to raise not less than $5 million in additional cash in the next 12 months through further equity private placements and to continue operations. As of June 30, 2014, we have working capital deficit of approximately $(2,880,043) and a stockholders' deficit of $(3,554,585)). Cumulative negative cash flow from operations since inception has amounted to approximately $(90,926,090).

Our independent auditor's report expresses doubt about our ability to continue as a going concern.

The reports of the Company's outside auditors Demetrius Berkower, LLC., and its prior auditors Rosenberg, Rich, Baker, Berman & Company, Arthur Andersen & Co., with respect to its latest audited reports on Form10-K for each of the fiscal years commencing in the fiscal year ended June 30, 2001 through the current fiscal year ended June 30, 2014, stated that "there is substantial doubt of the Company's ability to continue as a going concern." Such opinion from our outside auditors makes it significantly more difficult and expensive for the Company to raise additional capital necessary to continue our operations.

Our common stock is subject to significant dilution upon issuance of shares we have reserved for future issuance.

As of June 30, 2014, outstanding convertible debt plus accrued interest is equal to $285,724, which could have the right to convert into additional shares of our common stock at discounts of up to 40% of mPhase's then current stock price computed on a formula basis that may adversely affect the future price of our common stock that may result in future conversions shares of our Common Stock based upon our stock price at June 30,2014.

RISK FACTORS RELATED TO OUR OPERATIONS

We have been a development-stage company since our inception in 1996 and have not to date had completed final military or commercial development of our flagship product, the Smart NanoBattery and have only recently begun to generate revenues with respective to our battery jump products.

We have derived no material revenues from our Smart NanoBattery from inception of development in February 2004 through June 30, 2014 and have only begun in fiscal year 2014 to generate sales of our .mPower Jump and mPower mini Jump products

The loss of key personnel could adversely affect our business

Management and employment contracts with all of our officers have expired and no assurances can be given that such executives will remain with the Company or that the Company will be able to successfully enter into agreements with such key executives. All of our officers have made significant investments in the Company in the form of equity

periodic purchases of common stock and bridge loans and been granted stock and stock options that are intended to represent a key component of their compensation. Such grants may not provide the intended incentives to such officers if our stock price declines or experiences significant volatility. In addition our three corporate officers converted past accrued and unpaid salaries in the aggregate amount of approximately $426,000, certain notes and accrued interest were settled for stock and an amended conversion feature (see Note 9) during the FYE June 30, 2014.

RISKS RELATED TO OUR TARGETED MARKETS

The sale of new high technology products often has a long lead-time and a multiplicity of risks.

Commercialization of new technology products often has a very long lead time since it is not possible to predict when major companies will license such technology for sale to their customers. The science of nanotechnology and microfluidics used to develop our Smart NanoBattery is in its very early stages and acceptance and demand for such products can often be a long evolutionary process.

The science of nanotechnology is at a very early stage as a discipline and is subject to great uncertainty and swift changes in technology.

Microfluid dynamics and the manipulation of materials of nano size and dimensions is a very new science and the creation of new products is dependent upon new and different properties of such materials created that will result in many uncertain applications and rapid change. The evolution of nanotechnology as a new science adds greater uncertainty to new applications and new and improved product introductions is unpredictable.

We may not be able to create new products from our intellectual property using microfluidics that will be acceptable in water purification, oil separation from water and other environment markets.

The market for "green" products and solutions is characterized by changing regulatory standards, new and improved product introductions, and changing customer demands.

Large companies such as General Electric with great resources are currently focusing significant monies for new solutions.

Our future success will depend upon our ability to achieve compelling technology innovations that are economic and practical to produce in large quantities. Success in new technology, products and services is a complex and uncertain process requiring high levels of innovation, highly-skilled engineering and development personnel, and the accurate anticipation of technological and market trends. We may not be able to identify, develop, market or support new or enhanced technology, products, or services on a timely basis, if at all, owing to our size and limited financial resources.

The commercialization of many applications of our technologies will depend on our ability to establish strategic relationships with commercial partners.

We are seeking commercial partners with established lines of business and greater financial resources than our own. Such partners may not place the priority that we do on joint projects because the success or failure of such projects is not as material to other existing well developed lines of business.

Our SmartNanoBattery and our potential applications of our technology are components of end products and therefore our products are tied to the success of such end products.

The compelling need for critical mission batteries and other applications of our nanotechnology will depend upon both military and commercial needs going forward and the demand for our products as components. Thus the success of our SmartNanoBattery and other applications of our technology will depend upon the continuing need for the end user products and market demand.

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General Risks Relating to Our Business

Our current very limited revenue depends on the continued sales of our mPower Jump and mPower mini Jump products and our ability to continue to obtain SBIR, STTR and other Government Grants for Research and Development.

We have generated revenue commencing in Fiscal Year 2014 from sales of our battery jump products of $581, 261. We have completed a Phase II STTR Army Research grant in the amount of $750,000. Although we are actively applying for new SBIR, STTR and other government grants and funding we are unable to predict whether we will be successful in obtaining such grants.

We depend on key personnel for our continued operations and future success, and a loss of certain key personnel could significantly hinder our ability to move forward with our business plan.

Because of the specialized nature of our business, we are highly dependent on our ability to identify, hire, train and retain highly qualified scientific and technical personnel for the research and development activities we conduct or sponsor. The loss of one or more certain key executive officers, or scientists, would be significantly detrimental to us. In addition, recruiting and retaining qualified scientific personnel to perform research and development work is critical to our success. Our anticipated growth and expansion into areas and activities requiring additional expertise, such as new applications for “smart surfaces”, manufacturing and marketing, will require the addition of new management personnel and the development of additional expertise by existing management personnel. Despite the current economic conditions and job market there is significant competition for qualified personnel in the areas of our present and planned activities, and there can be no assurance that we will be able to continue to attract and retain the qualified personnel necessary for the development of our business. The failure to attract and retain such personnel or to develop such expertise would adversely affect our business.

Our insurance policies may be inadequate and potentially expose us to unrecoverable risks.

We do not carry director and officer insurance and have limited commercial insurance policies. Any significant insurance claims would have a material adverse effect on our business, financial condition and results of operations. Insurance availability, coverage terms and pricing continue to vary with market conditions. We endeavor to obtain appropriate insurance coverage for insurable risks that we identify, however, we may fail to correctly anticipate or quantify insurable risks, we may not be able to obtain appropriate insurance coverage, and insurers may not respond as we intend to cover insurable events that may occur. We have observed rapidly changing conditions in the insurance markets relating to nearly all areas of traditional corporate insurance. Such conditions have resulted in higher premium costs, higher policy deductibles, and lower coverage limits. For some risks, we may not have or maintain insurance

coverage because of cost or availability.

We have no product liability insurance, which may leave us vulnerable to future claims we will be unable to satisfy.

The testing, manufacturing, marketing and sale of consumer products entail an inherent risk of product liability claims, and we cannot assure you that substantial product liability claims will not be asserted against us. We have no product liability insurance. In the event we are forced to expend significant funds on defending product liability actions, and in the event those funds come from operating capital, we will be required to reduce our business activities, which could lead to significant losses.

We cannot assure you that adequate insurance coverage will be available in the future on acceptable terms, if at all, or that, if available, we will be able to maintain any such insurance at sufficient levels of coverage or that any such insurance will provide adequate protection against potential liabilities. Whether or not a product liability insurance policy is obtained or maintained in the future, any product liability claim could harm our business or financial condition.

We presently have members of management and other key employees located in various locations throughout the country which adds complexities to the operation of the business.

Presently, we have members of management and other key employees located in both Connecticut and New Jersey, which adds complexities to the operation of our business.

We face risks related to compliance with corporate governance laws and financial reporting standards.

The Sarbanes-Oxley Act of 2002, as well as related new rules and regulations implemented by the Securities and Exchange Commission and the Public Company Accounting Oversight Board, require changes in the corporate governance practices and financial reporting standards for public companies. These new laws, rules and regulations, including compliance with Section 404 of the Sarbanes-Oxley Act of 2002 relating to internal control over financial reporting, referred to as Section 404, have materially increased our legal and financial compliance costs and made some activities more time-consuming and more burdensome.

ITEM 2. PROPERTIES

Our corporate headquarters is located at 587 Connecticut Avenue, Norwalk, CT 06854-1711. The Company leases this office space from Microphase Corporation under a facilities agreement with Microphase that provided office space on a month-to-month basis for $993 per month through December 31, 2013. As of January 1, 2014, the lease increased to $1,675 per month and as of April 1, 2014, increased to $3,175. The Company also leased an office in East Rutherford, New Jersey for an average monthly cost of $1,880 from July 1, 2013 to August 31, 2014. On August 15, 2014, the Company moved its New Jersey office to Clifton, New Jersey with a one year lease with monthly rent of $4,020.

ITEM 3. LEGAL PROCEEDINGS

From time to time mPhase may be involved in various legal proceedings and other matters arising in the normal course of business. During its fiscal years ended June 30, 2013 and June 30, 2014, the Company has been involved in litigation with John Fife and his affiliates in connection with a Convertible Note issued to Fife on September 13, 2011in the original principal amount of $557,500. The Company is not, at this time able to predict the outcome of this litigation.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

(A) MARKET PRICES OF COMMON STOCK. The primary market for mPhase's common stock is the NASDAQ OTC Bulletin Board, where it trades under the symbol "XDSL." The Company became publicly traded through a merger with Lightpaths TP Technologies, formerly known as Tecma Laboratories, Inc. pursuant to an agreement dated February 17, 1997. The following table sets forth the high and low closing prices for the shares for the periods indicated as provided by the NASDAQ's OTCBB System. The quotations shown reflect inter-dealer prices, without retail mark-up, markdown, or commission and may not represent actual transactions. These figures have been adjusted to reflect a 1 for 10 reverse stock split on March 1, 1997.

YEAR/QUARTER	HIGH	LOW
Fiscal year ended June 30, 2004		
First Quarter	$0.42	$0.29
Second Quarter	0.61	0.29
Third Quarter	0.69	0.38
Fourth Quarter	0.46	0.29
Fiscal year ended June 30, 2005		
First Quarter	$0.31	$0.21
Second Quarter	0.35	0.23
Third Quarter	0.6	0.3
Fourth Quarter	0.41	0.25
Fiscal year ended June 30, 2006		
First Quarter	$0.29	$0.21
Second Quarter	0.32	0.15
Third Quarter	0.45	0.19
Fourth Quarter	0.34	0.18
Fiscal year ended June 30, 2007		
First Quarter	$0.21	$0.16
Second Quarter	0.2	0.15
Third Quarter	0.24	0.15
Fourth Quarter	0.19	0.09
Fiscal year ended June 30, 2008		
First Quarter	$0.13	$0.07
Second Quarter	0.09	0.05
Third Quarter	0.14	0.05
Fourth Quarter	0.13	0.07
Fiscal year ended June 30, 2009		
First Quarter	$0.08	$0.03
Second Quarter	0.05	0.01

Third Quarter	0.04	0.01
Fourth Quarter	0.05	0.01
Fiscal year ended June 30, 2010		
First Quarter	$0.03	$0.02
Second Quarter	0.02	0.01
Third Quarter	0.03	0.02
Fourth Quarter	0.02	0.01
Fiscal year ended June 30, 2011		
First Quarter	$0.0189	$0.01
Second Quarter	0.0147	0.008
Third Quarter	0.0105	0.0045
Fourth Quarter	0.0032	0.0123
Fiscal year ended June 30, 2012		
First Quarter	$0.0085	$0.0047
Second Quarter	0.003	0.0053
Third Quarter	0.002	0.0037
Fourth Quarter	0.0016	0.0005
Fiscal year ended June 30, 2013		
First Quarter	$0.0014	$0.001
Second Quarter	0.0023	0.0017
Third Quarter	0.0037	0.0036
Fourth Quarter	0.0015	0.0013
Fiscal year ended June 30, 2014		
First Quarter	$0.0016	$0.0014
Second Quarter	0.0017	0.0015
Third Quarter	0.0014	0.0013
Fourth Quarter	0.0008	0.0007

(B) HOLDERS

As of June 30, 2014, mPhase had approximately 13.850 billion shares of common stock outstanding and approximately 23,000 stockholders of record. In addition the Company has a total of 1,730,922,492 shares of common stock reserved for issuance upon the conversion of convertible securities of which, 1,392,162,326 may only be required to issued depending upon the outcome of certain litigation with John Fife.. Finally, subject to availability, the Company has reserved 1,275,863,492 shares for conversion of officer notes. Such notes may only be converted if the Board of Directors determines that such shares are not needed for general corporate financing or other purposes.

(C) DIVIDENDS

mPhase has never declared or paid any cash dividends on its common stock and does not anticipate paying any cash dividends in the foreseeable future. The Company currently intends to retain future earnings, if any, to finance operations and the expansion of its business. Any future determination to pay cash dividends will be at the discretion of the Board of Directors and will be based upon mPhase's financial condition, operating results, capital requirements, plans for expansion, restrictions imposed by any financing arrangements and any other factors that the Board of Directors deems relevant.

Issuances of Unregistered Securities.

During the fiscal year ending June 30, 2014, the following transactions impacted stockholders' equity

Private Placements

During the fiscal year ended June 30, 2014, the Company received $1,654,000 of net proceeds from the issuance of 4,579,628,375 shares of common stock in private placements with accredited investors, including 283,128,375 shares to finders and $54,000 in fees.

Equity Line Of Credit

During the fiscal year ended June 30, 2014, the Company issued 3,990,000 shares of Common Stock to cover the exercise of Put advances under Equity Line of Credit generating $6,263 of proceeds, net of $500 transaction fees.

Return of Shares to Treasury

During the fiscal year ended June 30, 2014 three (3) officers' returned 885,000,000 shares of common stock to treasury of shares previously issued to these officers.

Stock Based Compensation

The Company issued awards of 3,129,704,375 shares of common stock to Officers, Directors, Employees and consultants during the fiscal year ended June 30, 2013 valued at $2,770,544.

Conversion of debt securities

During the fiscal year ended June 30, 2014, $96,026 of debt was converted into 141,761,066 shares of common stock to holders of Convertible Notes.

Conversion of Debt to Officers'

During the fiscal year ended June 30, 2014, the officers' were authorized by the board of directors' to enter into agreements to convert certain officer notes, previously convertible at $.004 from 2009 through April 2014, based upon the then concurrent terms of private placements with accredited investors; at $.0004, representing the now current terms of private placements with accredited investors.

As a result thereon $723,729 of loans, accrued interest and unpaid salary were converted into 1,810,826,637shares of common stock with a conversion rate of $.0004 per share and warrants to purchase shares of common stock at $.0004 for a term of five years effective March 31, 2014, respectively. In connection with these transactions the officers' agreed to forego and cancel $425, 918 of accrued wages since fiscal 2013 and $238,321 of accrued interest since fiscal 2009 totaling a cancelation of $664,239 of debt; which when combined with the beneficial conversion feature of the 1,810,826,637 of shares converted for $723,729of $1,673,261 less $361,380 debt forgiven attributable to the conversions resulted in $1,311,881 beneficial conversion feature interest expense during the nine months ended March 31, 2014, and th Company amortized $30,393 from April 1, 2014 through June 30, 2014 for a total of $1,342,274 beneficial conversion feature interest expense during the current period.

The value of the warrants computed using the black shoals method with a volatility of 100%, risk free interest rate of .05% and a term of five years which was computed to be $1,413,547 for the conversion feature at $.0004 at the option of the officers, to the extent shares are available and $502,837 of remaining debts to officers', less 302,859 debt forgiven attributable to the warrant resulted in $607,851 deferred beneficial conversion feature interest expense, a reduction of additional paid in capital, which will be amortized on a straight line basis over the life of the warrant or sooner if and when converted, of which 30,393 was amortized through June 30, 2014. On June 30, 2014, these Notes are convertible into approximately 1,275,863,375 shares of common stock, if available.

Reparations

The Company did not issue any shares to investors for reparations.

During the fiscal year ending June 30, 2013, the following transactions impacted stockholders' equity

Private Placements

During the fiscal year ended June 30, 2013, the Company received $579,000 of net proceeds from the issuance of 1,322,250,000 shares of common stock in private placements with accredited investors that included $92,000 of reparations. The aggregate fees for such placements were $ 28,500.

Equity Line Of Credit

During the fiscal year ended June 30, 2013, the Company issued 42,412,553 shares of Common Stock to cover the exercise of Put advances under Equity Line of Credit generating $80,853 of proceeds, net of $8,920 transaction fees.

Stock Based Compensation

The Company did not issue any awards of common stock or options to Officers, Directors or Employees during the fiscal year ended June 30, 2013.

Conversion of debt securities

During the fiscal year ended June 30, 2013, $ 39,000 of debt including $1,500 accrued interest thereon was converted into 40,451,179 shares of common stock to holders of Convertible Notes.

Reparations

The Company issued 40,000,000 shares to single investor for reparations valued at $92,000.

During the fiscal year ending June 30, 2012, the following transactions impacted stockholders' equity

Private Placements

During the fiscal year ended June 30, 2012, the Company received $127,000 of net proceeds from the issuance of 170,000,000 shares of common stock in private placements with accredited investors. The aggregate cost of such placements was $13,000.

Stock Based Compensation

The Company issued awards of 1,035,000,000 shares of common stock to Officers, Directors or Employees during the fiscal year ended June 30, 2012 valued at $6,520,500. Directors revised the exercise price of options to purchase up to 98,000,000 shares of common stock previously granted to officers in September, 2008 (originally exercisable for 5 years with an exercise price of 5 cents per share). The exercise price of options to purchase up to 98,000,000 shares was revised to $.0040; the incremental cost of $339,700 was recorded as deferred compensation which will be amortized to expense through September 18, 2013.

Conversion of debt securities

During the fiscal year ended June 30, 2012, $1,814,368 of debt was converted into 716,962,140 shares of common stock to holders of Convertible Notes.

Reparations

The Company did not issue any shares to investors for reparations.

Long Term Convertible Debentures / Debt Discount and Related Interest

The Company has entered into eleven separate convertible debt arrangements with independent investors.

General

The economic substance of convertible debt arrangements entered into beginning December 2007 was to provide the Company with needed liquidity to supplement the private equity markets.

The form of the transaction generally involves the following:

The receipt of cash.

The issuance of a note payable from mPhase.

The issuance of a note receivable due to mPhase.

A Securities Purchase Agreement.

The note payable contains conversion features which permit the holder to convert debt into equity. Such debt is eligible to be converted into the Company's common stock immediately, thus requiring the recording of the entire liability upfront. Finally, to encourage conversion, a discount from market value is offered.

The aggregate amount of notes payable exceeds the amount of cash received. As "Consideration" for this difference the Company takes back a secured note receivable. Security is generally liquid investments of the investor.

The note receivable provides a commitment to fund mPhase. The notes are secured and collateralized and carry terms which are different from the related note payable and no right of offset exists.

Long Term Convertible Debentures / Notes Receivable / Debt Discount

The Company had 14 separate convertible debt arrangements with independent investors that were in effect at various times during the two fiscal years ended June 30, 2013 and 2014, three (3) of which were still active as of June 30, 2014.

During the fiscal year ended June 30, 2013, $ 39,000 of debt including $1,500 accrued interest thereon was converted into 40,451,179 shares of common stock to holders of Convertible Notes.

During the fiscal year ended June 30, 2014, $96,026 of debt including $13,026 of accrued interest and fees thereon was converted into 141,761,066 shares of common stock to holders of Convertible Notes.

These transactions are intended to provide liquidity and capital to the Company and are summarized below.

These transactions are intended to provide liquidity and capital to the Company and are summarized below.

Arrangement #1 (JMJ Financial, Inc.)

On November 17, 2009, the Company received a total of $186,000 of proceeds in connection with a new financing agreement with JMJ Financial. This transaction consists of the following: 1) a convertible note in the amount of $1,200,000 plus a one-time interest factor of 12% ($144,000) and a maturity date of September 23, 2012 and (2) a secured promissory note in the amount of $1,100,000 plus a one-time interest rate factor of 13.2% ($144,000 each) and a maturity date of September 23, 2012 due from the holder of the convertible note. Conversion of outstanding principal into shares of common stock is at the option of the holder. The number of shares into which this note can be converted is equal to the dollar amount of the note divided by 75% of the lowest trade price during the 20 day trading period prior to conversion

To date the Company has received a total of $639,500 in cash and has issued 322,187,500 shares of common stock to the holder upon conversions of $325,440 of principle and $994,766 of conversion fees. The remaining $604,600 of cash which was to be received from the holder plus accrued and unpaid interest was convertible into shares of common stock at the option of the holder. Upon receipt, in full, of cash by the Company equaling the purchase price of the convertible note plus interest or any portion thereof payable through maturity, the holder may convert such portion of the total amount of interest funded that would accrue to maturity into additional shares of common stock. Based upon the price of the Company’s common stock on June 30, 2011 of $.0073 per share the holder could convert the remaining principal amount plus interest of this convertible note into approximately 222,142,857 shares of common stock at the full contract value; of which the derivative liability associated with this arrangement is calculated. At June 1, this note was combined with arrangement #4 JMJ Financial, Inc.

During the year ended June 30, 2011 the holder converted $33,750 of principal into 10,000,000 shares of common stock and amortization of debt discount amounted to $412,332, reducing the debt discount balance to $100,000.

During the year ended June 30, 2012, the Company reduced the note payable and debt discount by $42,000 in proportion with the amount funded to the total original funding commitment and amortization of debt discount amounted to $27,067 reducing the balance to $30,933. Also during the year ended June 30, 2012, the Company had incurred $994,766 of conversion fees which together with $291,690 of principle was converted into 322,187,500 shares of common stock. At June 30, 2012 this convertible note had $372,060 outstanding which was combined with arrangement #3 JMJ Financial, Inc.

Arrangement #2 (JMJ Financial, Inc.)

On December 15, 2009 the Company entered into a new financing agreement with JMJ Financial that consists of the following: 1) a convertible note issued by the Company in the amount of $1,500,000 plus a one-time interest factor of 12% ($180,000) and a maturity date of December15, 2012 and (2) a secured promissory note in the amount of $1,400,000 plus a one-time interest rate factor of 13.2% ($180,000) and a maturity date of December 15, 2012 due from the holder of the convertible note. To date the Company has received a total of $300,000 cash and has issued no shares of common stock to the holder upon conversions. The remaining $1,280,000 of cash to be received from the holder plus accrued and unpaid interest is convertible into shares of common stock at the option of the holder. Upon receipt, in full, of cash by the Company equaling the purchase price of the convertible note plus interest or any portion thereof payable through maturity, the holder may convert such portion of the total amount of interest funded that would accrue to maturity into additional shares of common stock.

The number of shares into which this convertible note can be converted is equal to the dollar amount of the note divided by 75% of the lowest trade price during the 20 day trading period prior to conversion. Based upon the price of the Company’s common stock on June 30, 2011 of $.0073 per share the holder could convert the remaining principal amount plus interest of this convertible note into approximately 285,714,286 shares of common stock at the full contract value; of which the derivative liability associated with this arrangement is calculated.

The Company and the holder are presently negotiating potential amendments to this agreement, and funding and conversions have not occurred since April, 2011. For accounting purposes the note receivable has been fully reserved, and the liability is recorded, when netted against the debt discount and cumulative conversions, at the amount funded. Based upon the price of the Company’s common stock on June 30, 2011, the net liability of this note is convertible into approximately 38,095,238 shares of common stock. At the commitment date, the derivative value of the embedded conversion feature of such security was $542,714 and the debt discount was valued at $642,714. As of June 30, 2011, this value was calculated to be $607,994. During the year ended June 30, 2011, amortization of debt discount amounted to $418,552, reducing the balance to $100,000.

During the fiscal year ended June 30, 2012, the Company reduced the note payable and debt discount by $79,000 in proportion with the amount funded to the total original funding commitment and amortization of debt discount amounted to $8,573 reducing the balance to $12,427. As of June 30, 2012, this convertible note has $321,000

outstanding which was combined with arrangement #3 JMJ Financial, Inc.

Arrangement #3 (JMJ Financial, Inc.)

On April 5, 2010, the Company entered into a new financing agreement with JMJ Financial that consists of the following: 1) a convertible note issued by the Company in the principal amount of $1,200,000 plus a one-time interest factor of 12% ($144,000) and a maturity date of December 15, 2012, and (2) a secured promissory note from the holder of the convertible note in the amount of $1,100,000 plus a one-time interest rate factor of 13.2% ($144,000 each) and a maturity date of December 15, 2012. To date the Company has received a total of $100,000 cash and has issued no shares of common stock to the holder upon conversions. The remaining $1,144,000 of cash to be received from the holder plus accrued and unpaid interest is convertible into shares of common stock at the option of the holder.

Upon receipt, in full, of cash by the Company equaling the purchase price of the convertible note plus interest or any portion thereof payable through maturity, the holder may convert such portion of the total amount of interest funded that would accrue to maturity into additional shares of common stock. The number of shares into which this convertible note can be converted is equal to the dollar amount of the note divided by 75% of the lowest trade price during the 20 day trading period prior to conversion. Based upon the price of the Company’s common stock on June 30, 2011 of $.0073 per share the holder could convert the remaining principal amount plus interest of this convertible note into approximately 228,571,429 shares of common stock at the full contract value; of which the derivative liability associated with this arrangement is calculated.

For accounting purposes the note receivable has been fully reserved, and the liability is recorded, when netted against the debt discount and cumulative conversions, at the amount funded. Based upon the price of the Company’s common stock on June 30, 2011, the net liability of this note is convertible into approximately 19,047,619 shares of common stock. At the commitment date, the derivative value of the embedded conversion feature of such security was $421,891 and the debt discount was valued at $521,891. As of June 30, 2011, this value was calculated to be $486,795. During the year ended June 30, 2011, amortization of debt discount amounted to $378,761, reducing the balance to $ 100,000.

During the fiscal year ended June 30, 2012, the Company reduced the note payable and debt discount by $91,000 in proportion with the amount funded to the total original funding commitment and amortization of debt discount amounted to $3,674 reducing the balance to $5,326.

As of June 30, 2012, this convertible note has $109,000 outstanding, which when combined with arrangements #8 and #9 totaled $802,060, which the Company entered into an amended agreement on June 1, 2012 whereby the Company agreed to make payments of principle and interest of $37,018 per month commencing October 1, 2012 through September 1, 2014 at 8% interest and so long as the payments are not in default then no conversions into the Company's common stock would be available to the holder. Also as of June 30, 2012 the derivative value of the embedded conversion feature of this arrangement when combined with arrangements #2 and #3 totaled $0; which when compared to the combine value of $1,567,512 created a non-cash credit to earnings of $1,567,512 in fiscal 2012. As of June 30, 2013 and June 30, 2014, the combined arrangements with JMJ in this note would be convertible into 219,050,990 and 237,807,785 at the conversion floor price of $.004; and only so if the Company does not make the scheduled payments pursuant to the June 1, 2012 amended agreement. The Company has not made any payments of the $37,018 installment payments commencing October 1, and the holder has continued to accrue interest on the outstanding balance.

Arrangement #4 (John Fife)

On March 5, 2010, the Company entered into an new financing agreement with J. Fife that consist of a convertible note issued by the Company in the principal amount of $550,000 bearing interest at 7.5% per annum in which the Company received $495,000 cash up front. The Convertible Note had a maturity date of one year from the date of issuance. In addition, the Company had committed to issue in the future 2 additional promissory notes each in the principal amount of $275,000 each with an interest rate of 7.5% each upon the receipt of $250,000 of cash funding in exchange for such notes. The issuance of each of such notes was expected to take place upon the full conversion of the holder of its previous note into common stock of the Company. Conversion of each of the Convertible Notes into common stock of the Company is at the option of the holder at a price equal to the dollar amount of the note being converted divided by 75% of the three lowest volume weighted average prices during the 20 day trading period immediately preceding the date of conversion.

On October 22, 2010, the Company entered into a Forbearance Agreement with this convertible note holder in which the lender agreed not to convert any additional amounts under the convertible notes until January 15, 2011 in exchange for increasing the original principal amount of those notes by 10% from $550,000 to $605,000 resulting in a charge of $55,000 for debt extension fees corresponding with the addition to the note principal. At the time of the October 22, 2010 transaction, the embedded conversion feature of this security for this incremental liability and loan discount was calculated to be $20,005. This note, which was originally scheduled to mature on March 4, 2011, was extended to June 30, 2012 on September 13, 2011. These increases in the convertible note will also be convertible into common stock of the Company at the option of the holder at a price equal to the dollar amount of the note being converted divided by 75% of the three lowest volume weighted average prices during the 20 day trading period immediately preceding the date of conversion.

At the time of the transaction (March 5, 2010) the derivative value of this security was calculated to be $193,767 and the debt discount was valued at $243,767. As of June 30, 2011 and 2012 this liability was estimated to be

$78,059 and $0, respectively, creating a non-cash credit to earnings of $78,059 in fiscal 2012. During the year ended June 30, 2011 the holder converted $398,245 of principal into 65,280,866 shares of common stock and amortization of debt discount amounted to $ 227,621, reducing the balance of the debt discount to $ 0. During the year ended June 30, 2012 the holder converted the remaining principal of $234,755, contractual charges of $74,848 and accrued interest of $77,895 into 161,041,617 shares of common stock and $0 remained outstanding at June 30, 2012.

Arrangement #5 (Jay Wright)

On August 11, 2011 the Company issued to Jay Wright a Convertible Note plus a Warrant in a Private Placement pursuant to Section 42) of the Securities Act of 1933 and received $25,000 in gross proceeds. The purpose for this transaction was to provide working capital for the Company to use for a portion of the interim financing needed by Energy Innovative Products during the course of due diligence by the Company of a proposed acquisition of EIP. The acquisition was subsequently terminated by EIP in January of 2012.

Interest only is payable under the original terms of the Convertible Note at the rate of 1% per month by the Company to the holder. The Convertible Note was originally convertible at a price of $.0068 per share subject to a downward adjustment if the Company issues common stock below such price as long as the Convertible Note is outstanding (anti-dilution protection). The Warrant gives the holder the right to purchase up to 3,676,471 shares of the Company’s common stock at a price of $.0068 per share subject also to a downward adjustment for anti-dilution protection.

The Company and the holder had negotiations with respect to a final repayment arrangement of the Convertible Note. The Company has issued the holder 18 million shares of its common stock for repayment through a conversion and the holder has accepted the conversion and the amount of shares issued in satisfaction of the obligation.

All proceeds received in connection with the above financing have been used by the Company as working capital.

At the time of the transaction, the embedded conversion feature of this security and the warrant was calculated to be $4,660 and the debt discount totaled the same.

The Company has taken the position that this note was converted in full during the fiscal year ended June 30, 2012 together with accrued interest of $1,900 for 18,000,000 shares of common stock. On February 11, 2013, the Holder formally accepted the 18,000,000 shares of common stock as payment in full of the Convertible Note and agreed to cancel the Warrant.

Arrangement #6 (John Fife dba St. George Investors)

On September 13, 2011, the Company issued a second Convertible Note to John Fife founder and president of St. George Investments, in a Private Placement pursuant to Section 4(2) of the Securities Act of 1933. The initial principal amount of the first funded tranche of the Convertible Note was $357,500 and the Company received cash proceeds of $300,000.

A second tranche of the Convertible Note in the amount of $200,000 cash is funded upon the filing by the Company of a Registration Statement on Form S-1 with the Securities and Exchange Commission providing for the registration of 185,400,000 shares of common stock that may be converted into from time to time by the holder of the Convertible Note.

The instrument is convertible into the Company’s common stock at 75% of the volume weight average price of the stock based upon the average of the three lowest trading days in the 20 day trading period immediately preceding such conversion. Absent an effective Registration Statement, the holder of the Convertible Note may not sell any common stock prior to 6 months from the date of funding of each of the respective tranches of such instrument under Rule 144 of the Securities Act of 1933.

All proceeds received in connection with the above financing have been used by the Company as working capital.

At the time of the transaction, the embedded conversion feature of this security and the warrant was calculated to be $137,481 and the loan discount totaled $194,981 for the initial tranche and the embedded conversion feature of this security and the warrant for a second tranche of the Convertible Note was calculated to be $46,379. On June 30, 2012, given the changes in the Company's stock price during the 20 day look-back period for June 30, 2012 and conversions during the period this estimated liability had increased from $183,860 to $771,079, an increase this period of $587,219, creating a non-cash charge to earnings for the twelve months ended June 30, 2012 of that amount.

During the twelve month period ended June 30, 2012 amortization of debt discount amounted to $185,456 reducing the combined balance to $55,903. On June 30, 2013, given the changes in the Company's stock price during the 20 day look-back period for June 30, 2013, this estimated liability had decreased to $138,696, a decrease this period of $689,007, creating a non-cash credit to earnings for the year ended June 30, 2013 of that amount. During the year ended June 30, 2013, amortization of debt discount amounted to $55,903, reducing the combined balance to $0.

On June 30, 2014, given the changes in the Company's stock price during the 20 day look-back period for June 30, 2014, this estimated liability had increased to $548,906, an increase this period of $410,210, creating a non-cash charge to earnings for the year ended June 30, 2014 of that amount.

The company entered into an amended agreement on June 1, 2012, when principle of $557,500 accrued interest of $66,338 and $95,611 of contractual charges totaled $719,449; with this noteholder whereby the Company agreed to make payments of principle and interest of $33,238 per month commencing October 1, 2012 through September 1, 2014 at 8% interest and so long as the payments are not in default then no conversions into the Company's common stock would be available to the holder. As of September 30, 2012 this note would be convertible into 789,645,351 shares of common stock at the original terms. The Company has not made any payments of the $33,238 installment payments commencing October 1, and the holder has continued to accrue interest on the outstanding balance (see note 4). On November 20, 2012, mPhase Technologies, Inc. (the "Company") formally received an Event of Default and Redemption Notice dated November 16, 2012 with respect to an 8% Convertible Note dated September 13, 2011 issued by the Company to St. George Investments LLC and assigned to John Fife. The notice included alleged defaults with respect to payments owed by the Company under the Convertible Note and the failure to convert the Note into shares of the Company's common stock. The alleged amount owed according to the notice is approximately $902,279. The Company believes it has affirmative defenses to the actions of the holder of the Convertible Note as well as counterclaims against the Holder.

As of June 30, 2013, this note would have been convertible into 700,806,707 shares of common stock at the original terms.

As of June 30, 2014, this note would be convertible into 1,392,162,326 shares of common stock at the original terms.

Arrangement #7 (Asher Enterprises, Inc.)

On November 17, 2011 the Company issued to Asher Enterprises, Inc. a Convertible Note plus a Warrant in a Private Placement pursuant to Section 4(2) of the Securities Act of 1933 and received $53,000 in gross proceeds, net of $3000 closing fees. The instrument is in the principal amount of $53,000 and matures on November 17, 2012. Interest only is payable at the rate of 8% per annum by the Company to the holder until maturity. The instrument is convertible into the Company's common stock at 60% of the volume weight average price of the stock based upon the average of the three lowest trading days in the 10 day trading period immediately preceding such conversion. All proceeds received in connection with the above financing have been used by the Company as working capital.

At the time of the transaction, the embedded conversion feature of this security and the warrant was calculated to be $47,970 and the loan discount totaled $50,970. During the fiscal year ended June 30, 2012, this Convertible Note was converted, in full, into 162,749,128 shares of common stock.

Arrangement #8 (Asher Enterprises, Inc II)

On January 5, 2012 the Company issued to Asher Enterprises, Inc. a Convertible Note in a Private Placement pursuant to Section 4(2) of the Securities Act of 1933 and received $35,000 in gross proceeds, net of $2,500 closing fees. The instrument is in the principal amount of $35,000 and matures on January 5, 2013. Interest only is payable at the rate of 8% per annum by the Company to the holder until maturity. The instrument is convertible into the Company's common stock at 60% of the volume weight average price of the stock based upon the average of the three lowest trading days in the 10 day trading period immediately preceding such conversion. All proceeds received in connection with the above financing have been used by the Company as working capital. On July 11, 2012, the Company prepaid, in full, in cash, this Convertible Note, together with $1,388 of interest and a $17,500 prepayment fee charged to expense during the year ended June 30, 2013.

Arrangement#9- (Asher Enterprises, Inc. III)

On May 5, 2012 the Company issued to Asher Enterprises, Inc. a Convertible Note in a Private Placement pursuant to Section 4(2) of the Securities Act of 1933 and received $37,500 in gross proceeds, net of $2,500 closing fees. The instrument is in the principal amount of $33,000 and matures on January 5, 2013. Interest only is payable at the rate of 8% per annum by the Company to the holder until maturity. The instrument is convertible into the Company's common stock at 60% of the volume weight average price of the stock based upon the average of the three lowest trading days in the 10 day trading period immediately preceding such conversion. All proceeds received in connection with the above financing have been used by the Company as working capital.

At the time of the transaction, the embedded conversion feature of this security and the warrant was calculated to be $18,137 and the loan discount totaled the same. On June 30, 2012, given the changes in the Company's stock price during the 10 day look-back period for this estimated liability had increased to $66,029, an increase this period of $47,892 creating a non-cash charge to earnings of that amount. During the twelve month period ended June 30, 2012 amortization of debt discount amounted to $3,601 reducing the balance to $14,536. Based upon the price of the Company's common stock on June 30, 2012, this note was convertible into approximately 115,030,675 shares of common stock.

On September 30, 2012, given the changes in the Company's stock price during the 10 day look-back period for this estimated liability had decreased to $17,038, an decrease this period of $48,991 creating a non-cash credit to earnings of that amount. During the three month period ended September 30, 2012 amortization of debt discount amounted to $6,201 reducing the balance to $8,335. On December 5, 2012 the Company prepaid, in full, in cash, this Convertible Note, together with $1,479 of interest and an $18,750 prepayment fee charged to expense during the year ended June 30, 2013.

Arrangment #10 (Asher Enterprises, Inc. IV)

On December 8, 2012, the Company issued to Asher Enterprises, Inc. a Convertible Note in a Private Placement pursuant to Section 4(2) of the Securities Act of 1933 and received $37,500 in gross proceeds, net of $2,500 closing fees. The instrument is in the principal amount of $33,000 and matures on January 5, 2013. Interest only is payable at the rate of 8% per annum by the Company to the holder until maturity. The instrument is convertible into the Company's common stock at 60% of the volume weight average price of the stock based upon the average of the three lowest trading days in the 10 day trading period immediately preceding such conversion. All proceeds received in connection with the above financing have been used by the Company as working capital.

At the time of the transaction, the embedded conversion feature of this security and the warrant was calculated to be $24,966 and the loan discount totaled $27,466, which amount was fully amortized during the year ended June 30, 2013. During the fiscal year ended June 30, 2013, $ 37,500 of this debt together with $1,500 accrued interest thereon was converted into 40,451,179 shares of common stock repaying this note in full.

Arrangement #11(Black Arch Opportunity Fund L.P.)

On December 8, 2012, the Company issued to Black Arch Opportunity Fund L.P., Inc. a Convertible Note in a Private Placement pursuant to Section 4(2) of the Securities Act of 1933 and received $30,000 in gross proceeds. The instrument is in the principal amount of $30,000 and matures on January 5, 2013. Interest only is payable at the rate of 12% per annum by the Company to the holder until maturity. The instrument is convertible into the Company's common stock at 45% discount (60% while the Company's stock is "chilled" by the DTC) based upon the average of the three lowest trading days in the 10 day trading period immediately preceding such conversion. All proceeds received in connection with the above financing have been used by the Company as working capital.

At the time of the transaction, the embedded conversion feature of this security was calculated to be $70,001 and the loan discount totaled $70,001. On June 30, 2013, given the changes in the Company's stock price during the 10 day look-back period for this estimated liability had decreased to $43,508, a decrease this period of $26,423 creating a non-cash credit to earnings of that amount. During the year ended June 30, 2013, amortization of debt discount amounted to $70,001, reducing the balance to $31,136. Based upon the price of the Company's common stock on June 30, 2013, this Note is convertible into approximately 57,668,070 shares of common stock.

Arrangement #12 (Asher Enterprises, Inc. V)

On January 31, 2013, the Company issued to Asher Enterprises, Inc. a Convertible Note in a Private Placement pursuant to Section 4(2) of the Securities Act of 1933 and received $50,000 in gross proceeds, net of $3,000 closing fees. The instrument is in the principal amount of $33,000 and matures on January 5, 2013. Interest only is payable at the rate of 8% per annum by the Company to the holder until maturity. The instrument is convertible into the Company's common stock at 60% of the volume weight average price of the stock based upon the average of the three lowest trading days in the 10 day trading period immediately preceding such conversion. All proceeds received in connection with the above financing have been used by the Company as working capital.

At the time of the transaction, the embedded conversion feature of this security and the warrant was calculated to be $57,418 and the loan discount totaled $60,418. On June 30, 2013, given the changes in the Company's stock price during the 10 day look-back period for this estimated liability had decreased to $29,729, a decrease this period of $27,689 creating a non-cash charge to earnings of that amount. During the year ended June 30, 2013, amortization of

debt discount amounted to $48,787 reducing the balance to $0. Based upon the price of the Company's common stock on June 30, 2013, this Note is convertible into approximately 57,688,070 shares of common stock.

Arrangement #13 (Asher Enterprises, Inc. VI)

On July 2, 2013, the Company issued to Asher Enterprises, Inc. a Convertible Note in a Private Placement pursuant to Section 4(2) of the Securities Act of 1933 and received $37,500 in gross proceeds, net of $2,500 closing fees. The instrument is in the principal amount of $37,500 and matures on March 28, 2014. Interest only is payable at the rate of 8% per annum by the Company to the holder until maturity. The instrument is convertible into the Company's common stock at 60% of the volume weight average price of the stock based upon the average of the three lowest trading days in the 10 day trading period immediately preceding such conversion. All proceeds received in connection with the above financing have been used by the Company as working capital.

At the time of the transaction, the embedded conversion feature of this security and the warrant was calculated to be $28,216 and the loan discount totaled $30,626. On December 31, 2013, given the changes in the Company's stock price during the 10 day look-back period for this estimated liability had decreased to $26,471, a decrease this period of $1,655 creating a non-cash credit to earnings of that amount. During the six months ended December 31, 2013, amortization of debt discount amounted to $30,626 reducing the balance to $0. On January 8, 2014 this note was prepaid in full, together with a prepayment fee of $17,500 and accrued interest totaling $2,729.

Arrangement 14 (MH Investment trust)

On December 27, 2013, the Company issued to the MH Investment Trust. a Convertible Note in a Private Placement pursuant to Section 4(2) of the Securities Act of 1933 which was executed funded with $40,000 in gross proceeds on January 7, 2014. The instrument is in the principal amount of $40,000 and matures on October 1, 2014. Interest only is payable at the rate of 12% per annum by the Company to the holder until maturity. The instrument is convertible into the Company's common stock at 60% of the volume weight average price of the stock based upon the average of the three lowest trading days in the 10 day trading period immediately preceding such conversion, or 65 % when the trading price exceeds $.0020 for the five days before such conversion. All proceeds received in connection with the above financing have been used by the Company as working capital.

At the time of the transaction, the embedded conversion feature of this security and the warrant was calculated to be $35,556 and the company recorded no loan discount as the quantity of shares was considered indeterminable at the date of funding. On June 30, 2014, given the changes in the Company's stock price during the 10 day look-back period for this estimated liability had increased to

$88,637, an increase for this period of $53,081creating a non-cash charge to earnings of that amount. Based upon the price of the Company's common stock on June 30, 2014, this Note is convertible into approximately 100,952,381 shares of common stock.

EQUITY LINE OF CREDIT

The Company entered into a $10,000,000 equity line of Credit with Dutchess Opportunity Fund II, LLC in December of 2011. Under the equity line, the Company is eligible to "PUT" to the fund, 20,000,000 shares of its common stock during any pricing period. The Company has registered a total of 250,000,000 shares of its common stock on a Form S-1 Registration Statement with the Securities and Exchange Commission that was declared effective on January 17, 2012 in connection with the Dutchess Equity Line.

As of June, 2014, the Company has received $227,744 of proceeds under the Equity Line relating to the resale of 135,990,000 shares of the Company's common stock, net of $22,920 transaction fees. The amount of proceeds to be received under the Equity Line will depend upon the stock price of the Company at the various points in time it exercises the Put Option. As of June 30, 2014, the Company has received $145,428, $80,053 and $6,263 in Fiscal Years Ended June 30, 2012, 2013 and 2014, under the Equity Line relating to the resale of 89,587,447, 42,412,553 and 3,990,000 shares of the Company's common stock in Fiscal Years Ended June 30, 2012 , 2013 and 2014. The amount of proceeds to be received under the Equity Line will depend upon the stock price of the Company at the various points in time it exercises the Put Option.

BENEFICIAL CONVERSION FEATURE

In April 2009, the Board of Directors authorized the right for the officers to convert into shares of the Company's common stock officers' loans discussed in Note 9, plus accrued interest thereon, at any time for the next five years providing such shares are issued, outstanding and available, at a conversion price of $.0075. This conversion price was amended in August 2011 to $.0040. During the fiscal year ended June 30, 2014, the officers' were authorized by the board of directors' to enter into agreements to convert certain officer notes, previously convertible at $.004 from 2009 through April 2014, based upon the then concurrent terms of private placements with accredited investors; at $.0004, representing the now current terms of private placements with accredited investors. On June 30, 2014, these Notes are convertible into approximately 1,275,863,375 shares of common stock, if available.

SUBSEQUENT EVENTS

On August 8, 2014, the Company paid in full $40,000 principle and together with $2,632 accrued interest and $14,900 of prepayment fees to MH Investment Trust in satisfaction of its Convertible Promissory Note to MH Investment Trust for $40,000, originally funded on January 7, 2014.

On September 5, 2014 the Company announce on form 8k that pursuant to Section 4(2) of the Securities Act of 1933, as amended, the Company issued a convertible note to MH Investment Trust in a Private Placement. The Company received in $40,000 cash proceeds from the sale of the 6% Convertible Note that will be used as additional working capital.

From July 1, 2014 through September 15, 2014 the Company has completed transactions in a private placement of its common stock to 5 accredited investors pursuant to Rule 506 of Regulation D and Section 4(2) of the Securities Act of 1933, as amended. The Company received proceeds of $170,000, made available for working capital, in connection with the issuance of 455,000,000 shares of its common stock at $.0004, including 30,000,000 shares to finders.

ITEM 6. SELECTED CONSOLIDATED FINANCIAL DATA

The selected financial data set forth below should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the historical financial statements and notes included in this annual report. The statement of operations data for the years ended June 30, 2010, 2011, 2012, 2013 and 2014 and the balance sheet data as of June 30, 2010, 2011, 2012, 2013 and 2014 are derived from financial statements that have been audited by Demetrius & Company, L.L.C.

SUMMARY OPERATING DATA

Year Ended June 30,

(in thousands except per share data)

	Fiscal Years Ended June 30,				
	2010	**2011**	**2012**	**2013**	**2014**
Total Revenues	$354	$49	$1	4	$581
Cost of Sales	66	50	15	15	352
Research and Development	2,203	626	53	126	2
General and administrative	1,845	1,823	7,921	1,202	4,100
Depreciation and amortization	25	15	14	12	12
Operating Loss	(3,785)	1,875	(8,002)	(1,351)	$(3,885)
Other income (expense) net	(118)	2,120	(446)	503	$(455)
Interest income (expense)	(3,463)	(141)	(344)	(293)	$(1,632)
Discontinued Operations	-	245	5	880	32
Net Loss	$(7,366)	$(486)	$(8,787)	(261)	$(5,944)
Continuing per share	$(.01)	$(.00)	$(.00)	(.00)	(.00)
Discontinued per share	$0	$(.00)	$(.00)	(.00)	0
Weighted Average shares outstanding	1,041,685,519	1,402,130,735	2,789,725,412	4,515,985,122	7,033,888,082

BALANCE SHEET DATA

in $000's

	2010	2011	2012	2013	2014
Cash and cash equivalents	$228	$2	$40	$1	$125
Working capital (deficit)	$201	$(2,705)	$(3,691)	$(4,370)	$(2,880)
Total assets	$5,844	$235	$186	$112	$860
Long-term obligations, net of current portion	$28	$16	$3	$40	$40
Total stockholders' (deficit)	$(7,884)	$(5,592)	$(5,503)	$(4,788)	$(3,555)

Selected Quarterly Financial Information

The statement of operations data as of the quarterly periods indicated below are derived from unaudited financial statements on Form 10Q filings, and include all adjustments (consisting of normal recurring items) that management considers necessary for a fair presentation of the financial statements.

FISCAL 2014 QUARTERLY STATEMENT OF OPERATIONS DATA:	**Three Months Ended**			
	September 30,	**December 31,**	**March 31,**	**June 30,**
	(in thousands, except share amounts)			
Total revenues	$ 0	$ 54	$255	$ 272
Costs and Expenses:				
Costs of Sales	0	50	151	151
Research and development	1	1	1	(1)
General administrative	247	245	446	3,162
Depreciation and amortization	3	3	3	3
Operating loss	(251)	(245)	(346)	(3,043)
Interest expense, Net	(78)	(79)	(1,393)	(82)
Other Income (expense)	(744)	679	(164)	(230)
Discontinued operations				32
Net (Loss)Income	$ (1,073)	$ 355	$(1,903)	$ (3,323)
Basic net (loss) gain per share-				
Continuing operations	$ (0.00)	$ 0.00	$(0.00)	$ (0.00)
Discontinued operations	$ N/A	$ N/A	$N/A	$ 0.00
Diluted net (loss) gain per share-				
Continuing operations	$ N/A	$ 0.00	$N/A	$ N/A
Discontinued operations	$ N/A	$ N/A	$N/A	$ N/A
Shares used in basic net loss per share	5,258,640,472	5,443,409,801	7,561,827,456	10,161,132,304
Shares used in diluted net loss per share	N/A	6,000,000,000	N/A	N/A

FISCAL 2012 QUARTERLY STATEMENT OF OPERATIONS DATA:	**Three Months Ended**			
	September 30,	**December 31,**	**March 31,**	**June 30,**
	(in thousands, except share amounts)			
Total revenues	$0	$1	$0	$0
Costs and Expenses:				
Cost of sales	1	1	0	0
Research and development	41	10	1	1
General and administrative	6,888	346	359	328
Depreciation and amortization	4	4	4	2
Operating loss	(6,934)	(360)	(364)	(331)
Interest expense, Net	(71)	(44)	(72)	(157)
Other Income (expense)	826	534	(370)	(1,436)

Discontinued operations				5
Net (Loss) Income	$(6,179)	$130	$(806)	$(1,919)
Basic net (loss) gain per share-				
Continuing operations	$0	$0	$0	$0
Discontinued operations	$0	$0	$0	$0
Diluted net (loss) gain per share-				
Continuing operations	$0	$0	$0	$0
Discontinued operations	$0	$N/A	$N/A	$N/A
Shares used in basic net loss per share	2,053,984,273	2,765,647,479	2,971,015,232	3,419,465,827
Shares used in diluted net loss per share	N/A	3,608,180,728	N/A	N/A

Includes certain reclassification from previous reported amounts

FISCAL 2011 QUARTERLY STATEMENT OF OPERATIONS DATA:	**Three Months Ended**			
	September 30,	**December 31,**	**March 31,**	**June 30,**
	(in thousands, except share amounts)			
Total revenues	$29	$1	$ 18	$ 1
Costs and Expenses:				
Cost of sales	9	5	37	(1)
Research and development	193	141	111	180
General and administrative	523	446	455	398
Depreciation and amortization	3	4	4	4
Operating loss	(701)	(595)	(589)	(580)
Interest expense, Net	(30)	(25)	(26)	(60)
Other Income (expense)	2,725	(100)	(709)	204
Discontinued operations				
Net (Loss) Income	$1,994	$(720)	(1,324)	(436)
Basic net (loss) gain per share-				
Continuing operations	$0	$0	$ 0	$ 0
Discontinued operations	$0	$0	$ 0	$ 0
Diluted net (loss) gain per share-				
Continuing operations	$0	$0	$ 0	$ 0
Discontinued operations	$0	$N/A	$ N/A	$ N/A
Shares used in basic net loss per share	1,189,554,845	1,226,037,125	1,456,690,423	1,602,502,264
Shares used in diluted net loss per share	1,713,140,738	N/A	N/A	N/A

FISCAL 2010 QUARTERLY STATEMENT OF OPERATIONS DATA:	Three Months Ended September 30,	December 31,	March 31,	June 30,
	(in thousands, except share amounts)			
Total revenues	$52	$34	$142	$126
Costs and Expenses:				
Cost of sales	0	0	2	63
Research and development	515	579	712	397
General and administrative	421	489	453	482
Depreciation and amortization	5	7	7	7
Operating loss	(889)	(1041)	(1032)	(823)
Interest expense, Net	(681)	(42)	(33)	(31)
Other Income (expense)	1173	(2417)	1959	(3508)
Discontinued operations	0	0	0	0
Net (Loss) Income	$(397)	$(3,500)	$894	$(4,362)
Basic net (loss) gain per share-				
Continuing operations	$(0.01)	$(0.01)	$0.00	$(0.01)
Discontinued operations	$-	$-	$-	$-
Diluted net (loss) gain per share-				
Continuing operations	$(0.01)	$(0.01)	$0.00	$(0.01)
Discontinued operations	$-	$-	$-	$-
Shares used in basic net loss per share	934,821,600	934,821,600	1,057,751,508	1,084,251,619
Shares used in diluted net loss per share	934,821,600	934,821,600	1,534,563,992	1,084,251,619

Includes certain reclassification from previous reported amounts

7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS AND PLAN 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.

RESULTS OF OPERATIONS

OVERVIEW

mPhase Technologies, Inc. (OTC BB: XDSL.OB) is a development company focused on the development of innovative power cells and related products through the science of microfluidics, microelectromechanical systems (MEMS) and nano- technology. mPhase is primarily focused on commercializing its first nanotechnology-enabled product for military and commercial applications - the Smart NanoBattery providing Power On CommandTM. Our new patented and patent-pending battery technology, based on the phenomenon of electrowetting, offers a unique way to store energy and manage power that could revolutionize the battery industry. Features of the Smart NanoBattery include potentially infinite shelf life, environmentally friendly design, fast ramp to power, programmable control, and direct integration with microelectronic devices.

The platform technology behind the Smart NanoBattery is a porous nanostructured material used to repel and precisely control the flow of liquids. The material has a Smart Surface that can potentially be designed for heart pacemakers and other medical devices.

mPhase's Smart NanoBattery technology has been incorporated in leading-edge research and development projects supported by various groups within the U.S. Army for mission critical static random access memory (SRAM) backup and guided munitions applications. In July 2007, mPhase received a Small Business Technology Transfer (STTR) Program Phase I grant for $100,000 from the U.S. Army and in September 2008, was awarded a prestigious $750,000 (net $500,000) Phase II STTR grant to continue battery development work for the SRAM project. That award was renewed in 2009 for a second year. The company has also been working with the U.S. Army as part of a Cooperative Research and Development Agreement (CRADA). mPhase has focused on development of a lithium Smart NanoBattery. Working closely with Rutgers University, mPhase introduced the first version of the lithium Smart NanoBattery designed for portable electronics and microelectronic applications.

One version of the lithium battery based on a breakable separator was developed for an emergency flashlight application.

New Products developed and sold during Fiscal Year 2014

The Company completed development and began sales of the MPOWER Jump and MPOWER mini Jump products as part of its consumer product line. The Company outsourced the design, engineering, development and manufacturing of the products and it is anticipated that the Company will add the additional battery jump starter products. Prior to fiscal year 2014 the Company incurred approximately $12.139 million in development costs of its nano and battery products and has received a series of prototypes of the mini Jump products. The roll-out of the product that began in fiscal year 2014.generated gross revenues of $581,261 during the fiscal year ended June 30, 2014.

TWELVE MONTHS ENDED JUNE 30, 2014 VS. JUNE 30, 2013

Revenues. Total revenues for the year ended June 30, 2014 increased from $4,086 in 2013 to $581,261. The revenue increase for the current fiscal year was derived primarily from the sales of the mPower Jump and mPower Mini Jump products.

Cost of sales**.** Cost of sales increased $337,041 for the year ended June 30, 2014 to $352,135. This increase is attributable to sales of our mPower Jump and mPower Mini Jump products.

Research and Development. Research and development expenses were $2,168 for the year ended June 30, 2014 as compared to $125,982 in the year ended June 30, 2013, a decrease of $123,814. Such increase is attributable to development expense incurred with respect to the Company's new mPower Jump and mPower Mini Jump products.

General and Administrative Expenses. Selling, general and administrative expenses were $4,100,325 for the year ended June 30, 2013 compared to $1,201,966 for the year ended June 30, 2013 an increase of $2,898,388. During fiscal year ended June 30, 2014, the Company incurred non-cash charges amounting to $2,717,624 for stock based compensation awarded to officers, employees and consultants. During fiscal year ended June 30, 2013, such charges amounted to $0. In addition the Company accrued and reduced salaries of the three officers of the Company in fiscal year ended June 30, 2013 resulting in lower payroll by approximately $156,707 as compared to the payroll for fiscal year ended June 30, 2014. Expenses were increased across the board, including an increase in marketing expense of $68,412 and investor relations expense of $61,215.

Other Income and Expense. During the current FYE 2014 non-cash charges included $0 for reparations, and net settlement income of $31,858. During the prior FYE 2013, non-cash charges included $92,000 for reparations, and net settlement income of $953,641. In addition during FYE 2014, the Company realized non-cash net charges of approximately $399,894 compared to a non-cash net gain of $557,918 in FYE 2013 resulting from the issuance and the changes in the derivative liability values relative to convertible debt. The current FYE 2014 includes a non- cash charge resulting from a change in derivative value of $399,894 increased in part by amortization of debt discount of $28,126, stock issuance costs and other charges including prepayment fees of $17,500. This compares to prior FYE 2013 which included a gain resulting from the change in derivative value of $838,796 offset in part by amortization of debt discount, and conversion floor fees and charges amounting to $317,128.

Net loss. mPhase recorded a net loss of $5,944,467 for the year ended June 30, 2014 as compared to a loss of $260,634 for the same period ended June 30, 2013. This represents a loss per common share of ($0.00) in 2014 as compared to $(.00) in 2013, based upon weighted average common shares outstanding of 7,033,888,082 and 4,515,985,122 during the periods ending June 30, 2014 and June 30, 2013 respectively.

CURRENT PLAN OF OPERATIONS

The Company is actively pursuing both military and commercial applications of its smart surface technology. The Company is actively seeking additional strategic partners. The Company is seeking such partners to custom tailor its Smart NanoBattery as a component for a commercial or military end product. The Company,subject to the availability of additional capital, will continue to aggressively deployment of its line of battery jump products and to enhance sales by offering additional versions of such products. The Company is also seeking funding under various U.S. government programs for companies seeking to employ new employees to stimulate the U.S. economy.

Expanded Market Potential for Proprietary Membrane Technology

The core membrane technology used to enable the Smart NanoBattery's propriety membrane design can potentially be used to develop other non-power source applications and products. The Company's market potential for using the membrane design of this patent pending core technology broadens the application areas outside the portable power energy field.

The Company's permeable membrane design consisting of both micro and nano scale silicon features is coated with a monolayer chemistry used to repel liquids. The membrane works using a microfluidics principle that permits the dynamic control of surfaces when interacting with liquids, and as a result, the membrane can be tuned to filter out certain types of materials. In the reserve battery application, the properties of the membrane are used to create a superhydrophobic surface that prevents the battery’s electrolyte from coming into contact with the dry electrodes of the battery until activation. In a similar way, the membrane can be designed so that it can control the passing of liquids through the pores of the membrane, acting as a filter, allowing and restricting materials to pass through the membrane. This ability opens up the potential to use the membrane's design in new configurations for applications that require controlled filtering of materials used in the health, environmental, food services, as well as other industries.

RESEARCH AND DEVELOPMENT

mPhase throughout its history has outsourced its research and development activity with respect to all of its product lines. The Company engaged the Bell Labs division of Lucent Technologies in February of 2004 to develop a power cell using the science of nanotechnology. The Company terminated its development efforts with Lucent Bell Labs in fiscal year 2008 with respect to micro power cell products using the science of nanotechnology since the facilities at Bell Labs were only able to provide development of zinc based batteries. The Company determined that in order to develop a commercially viable product, higher energy lithium based batteries were required and it established a research relationship with Rutgers University that has facilities capable of handling development of lithium batteries.

From March of 2005 through March of 2007, the Company, pursuant to the terms of a Project Development Agreement engaged Bell Labs to develop a magnetometer or electronic sensor products using the science of nanotechnology. The Company did not renew this Project Development Agreement in order to conserve financial resources. No further development has occurred on the magnetometer; however, the Company believes that the intellectual property created may have significant value in the future depending upon further scientific progress in the field and market developments.

Since inception, but prior to the end of fiscal year 2006, the Company incurred $13.5 million for research and development conducted by Georgia Tech Research Corporation in connection with its legacy Traverser DVDDS technology that was a proprietary end to end solution of hardware and software enabling telecommunications service providers to delivery broadcast television, high-speed internet and voice over copper telephone lines. Expenditures for discontinued Traverser DVDDS product are included in “discontinued operations. In fiscal year 2003 the Company began the transition of its product to development of a carriers standard open platform using middleware platform and transferred its research and development from Georgia Tech Research Corporation to the Bell Labs division of Lucent Technologies Inc. In May of 2007, the Company decided not to renew its Project Development Agreement for its TV+ solution with Bell Labs and chose a number of new software vendors to finalize its IPTV solution. The Company incurred research and development expenses with Lucent for fiscal years ended June 30, 2007 and 2006 of $2.3 million and $4.4 million. It should be noted that all expenditures during with Lucent/Bell Labs in FYE 2007 have been in connection with nanotechnology.

During the year ended June 30, 2008, the Company incurred research and development expenses of $188,000 related to the development of IPTV solutions compared to $4.1 million for the same period ended June 30, 2007. Expenditures for the IPTV discontinued product are included in “discontinued operations”. In addition the Company incurred research and development expenses for the fiscal year June 30, 2008 of $800,000 for its nanotechnology products as compared to $2.3 million for fiscal year ended June 30, 2007. During the fiscal year ended June 30, 2009, the Company incurred research and development expenses of $1,255,655, all of which was in connection with its nanotechnology, manually activated battery and emergency flashlight products. During the fiscal year ended June 30, 2010, the Company incurred research and development expenses of $2,203,383 and during the fiscal years ended June 30, 2011 and 2012, such research and development expenses amounted to $625,417 and $53,374.

During the years ended June 30, 2009, June 30, 2010 and June 30, 2011 the Company was primarily engaged in joint research and development with Rutgers University in connection with a $750,000 Phase II STTR grant from the United States Army for development of a reserve battery with an extended shelf life suitable for serving as a backup energy source for a computer memory application. In addition, during such period significant design services were provided by Porsche Design Studio in connection with the development of the Company’s emergency flashlight product.

During fiscal year ended June 30, 2012 the Company commenced research, design and development of a prototype of a second new innovative automotive product with an initial cost of approximately $300,000. The Company, owing to its current financial austerity program in fiscal year ended June 30, 2013 has had to curtail significantly its research and development activities. In fiscal year 2014 the Company spent $2,168 on research and development primarily in connection with the roll-out of its mPower consumer product line of battery jump starter products.

The amount of research and development costs the Company has expended on its current technology, from its inception through June 30, 2014, is approximately $12,139,000.

STRATEGIC ALLIANCES IMPLEMENTED

The Company and Alcatel Lucent share jointly in certain intellectual property developed with respect to nanotechnology products. The Company has established a working relationship with Rutgers University for development and testing of lithium based batteries. In addition, the Company has a co-branding agreement with Porsche Design Studio for its emergency flashlight product.

CRITICAL ACCOUNTING POLICIES

RESEARCH AND DEVELOPMENT

Research and development costs are charged to operations as incurred in accordance with FASB ASC Topic 730 Research and Development, formerly Statement of Financial Accounting Standards ("SFAS"), No.2, "Accounting for Research and Development Cost."

OPTIONS, WARRANTS AND OTHER CONVERTIBLE EQUITY INSTRUMENTS

STOCK BASED COMPENSATION

Effective, July 1, 2005, the Company adopted the promulgated authority "modified prospective" method, and has recorded as an expense the fair value of all stock based grants to employees after such date. The Company has not restated its operating results for any prior fiscal year end or quarter.

EQUITY LINE OF CREDIT

The Company entered into a $10,000,000 equity line of Credit with Dutchess Opportunity Fund II, LLC in December of 2011. Under the equity line, the Company is eligible to “PUT” to the fund, 20,000,000 shares of its common stock during any pricing period. The Company has registered a total of 250,000,000 shares of its common stock on a Form S-1 Registration Statement with the Securities and Exchange Commission that was declared effective on January 17, 2012 in connection with the Dutchess Equity Line.

As of June, 2014, the Company has received $227,744 of proceeds under the Equity Line relating to the resale of 135,990,000 shares of the Company's common stock, net of $22,920 transaction fees. The amount of proceeds to be received under the Equity Line will depend upon the stock price of the Company at the various points in time it exercises the Put Option. As of June 30, 2014, the Company has received $145,428, $80,053 and $6,263 in Fiscal Years Ended June 30, 2012, 2013 and 2014, under the Equity Line relating to the resale of 89,587,447, 42,412,553 and 3,990,000 shares of the Company's common stock in Fiscal Years Ended June 30, 2012 , 2013 and 2014. The amount of proceeds to be received under the Equity Line will depend upon the stock price of the Company at the various points in time it exercises the Put Option.

MATERIAL EQUITY INSTRUMENTS

The Company has material equity instruments including convertible debentures and convertible notes that are accounted for as derivative liabilities and options and warrants that are evaluated quarterly for potential reclassification as liabilities pursuant to FASB ASC Topic 815 Derivatives and Hedging previously known as EITF 00-19 (SEE ALSO NOTE 8 "Stockholders Equity" under the caption "Other Equity"). The Company utilized a sequencing method prescribed by ASC Topic 815, based upon applying shares available to contracts with the earliest inception date first.

Subsequent to September 30, 2009 the Company has not entered into, and presently the Company did not have, any contracts for warrants or other equity instruments subject to reclassification to liabilities as prescribed by FASB ASC Topic 815 (previously known as EITF 00-19) until August 10, 2011, when it entered into a Convertible Note of $25,000 that concurrently provided the note holder with a warrant and recorded an additional liability for the warrant.

DERIVATIVE FINANCIAL INSTRUMENTS

Presently promulgated accounting literature requires all derivatives to be recorded on the balance sheet at fair value. The conversion features of the convertible debentures are embedded derivatives and are separately valued and accounted for on our balance sheet with changes in fair value recognized during the period of change as a separate component of other income/expense. Fair values for exchange-traded securities and derivatives are based on quoted market prices. The pricing model we use for determining fair value of our derivatives is the Black-Scholes Pricing Model with a 20 day life for the look-back period of each conversion feature using volatility of 100%. Valuations derived from this model are subject to ongoing internal and external verification and review. The model uses market-sourced inputs such as interest rates and stock price volatilities. Selection of these inputs involves management's judgment and may impact net income.

REPARATION EXPENSE

As an incentive for additional equity contributions, the Company will, from time to time, adjust the cost of past private purchases of common stock through the issuance of additional shares in such magnitude as to reduce an investor's cost to an average price that more closely approximates current market value. The market value of additional shares issued without cash investment is charged to Reparation Expense, which is included in Other Expenses.

LIQUIDITY AND CAPITAL RESOURCES

Through June 30, 2014, the Company had incurred development stage losses totaling approximately $(209,636,008) and had cash and cash equivalents of $125,423. At June 30, 2014, mPhase had a working capital deficit of $(2,880,044) as compared to a working capital deficit of $(4,410,117) as of June 30, 2013.

On February 12, 2014 at its Annual Meeting of Shareholders for the fiscal year ended June 30, 2013, shareholders of the Company authorized the Company to increase its authorized shares of common stock from 6 billion shares to 18 billion shares.

During the fiscal year ended June 30, 2014 the Company issued 4,579,628,375 shares of its common stock in private placement generating cash proceeds of $1,654,000 including 283,128,375 in finders' shares and placement fees. During the fiscal year the Company issued 141,761,066 shares of common stock in connection with conversions of convertible securities together with interest and fees totaling $96,026. The Company prepaid two convertible notes with cash in the aggregate amount of $75,000 during the fiscal year.

In December of 2011, the Company entered into a $10,000,000 equity line of credit with Dutchess Opportunity Fund II, LLC. Under the equity line, the Company is eligible to "PUT" to the fund 20,000,000 shares of its common stock during any pricing period. The Company has registered a total of 250,000,000 shares of its common stock on a Form S-1 Registration Statement with the Securities and Exchange Commission that was declared effective on January 17, 2012. As of June, 2014, the Company has received $227,744 of proceeds under the Equity Line relating to the resale of 135,990,000 shares of the Company's common stock, net of $22,920 transaction fees. The amount of proceeds to be received under the equity line will depend upon the stock price of the Company and the various points in time it exercises its Put option.

On June 6, 2012 the Company announced the restructuring of all of its convertible securities that were issued to JMJ Financial and John Fife of approximately $1,500,000. The Company is currently in litigation with John Fife with respect to such restructuring. To date no action has been taken by JMJ Financial with respect to the Company. In the longer term, we estimate that the Company will need to raise approximately $5-10 million of additional capital above the funds anticipated from the monthly funding's and conversions by holders of revised or replacement convertible securities, to meet longer term liquidity needs through June 30, 2013. Such monies will be necessary primarily to fund future operating expenditures as well as marketing, cost-reductions and commercialization of its Smart NanoBattery and automotive products. Finally, depending upon sales and margins in fiscal year 2014, additional capital may be required to fund a portion of any growth necessary in operations.

Cash used in operating activities was $1,625,671 during the twelve months ended June 30, 2014. During such period, the cash used by operating activities consisted principally of the net loss from operations of ($5,976,325) offset by settlement income of $31,858 from discontinued operations, plus non-cash credits related to convertible debt issued and associated changes in derivative value ($428,020) reduced by an increase of accounts payable and accrued expenses of $271,132. These amounts are offset in part by non-cash charges related to issuance of common stock and options for services of $2,770,544.

During the twelve-month period ended June 30, 2014, the Company raised capital through private placements with accredited investors, whereby the Company issued 4,579,628,375 shares of the Company's common stock, generating net proceeds to the Company of $1,654,000.

During the twelve-month period ended June 30, 2013, the Company raised capital through private placements with accredited investors, whereby the Company issued 1,282,250,000 shares of the Company's common stock, generating net proceeds to the Company of $487,000.

Equity Conversions of Debt and Other Financial Instruments with Related Parties- Conversion of Debt to Officers'

During the fiscal year ended June 30, 2014, the officers' were authorized by the board of directors' to enter into agreements to convert certain officer notes, previously convertible at $.004 from 2009 through April 2014, based upon the then concurrent terms of private placements with accredited investors; at $.0004, representing the now current terms of private placements with accredited investors.

As a result thereon $723,729 of loans, accrued interest and unpaid salary were converted into 1,810,826,637 shares of common stock with a conversion rate of $.0004 per share and warrants to purchase shares of common stock at $.0004 for a term of five years effective March 31, 2014, respectively. In connection with these transactions the officers' agreed to forego and cancel $425, 918 of accrued wages since fiscal 2013 and $238,321 of accrued interest since fiscal 2009 totaling a cancelation of $664,239 of debt; which when combined with the beneficial conversion feature of the 1,810,826,637 of shares converted for $723,729 of $1,673,261 less $361,380 debt forgiven attributable to the conversions resulted in $1,311,881 beneficial conversion feature interest expense during the nine months ended March 31, 2014, and the Company amortized $30,393 from April 1, 2014 through June 30, 2014 for a total of $1,342,274 beneficial conversion feature interest expense during the current period.

The value of the warrants computed using the black shoals method with a volatility of 100%, risk free interest rate of .05% and a term of five years which was computed to be $1,413,547 for the conversion feature at $.0004 at the option of the officers, to the extent shares are available and $502,837 of remaining debts to officers', less 302,859 debt forgiven attributable to the warrant resulted in $607,851 deferred beneficial conversion feature interest expense, a reduction of additional paid in capital, which will be amortized on a straight line basis over the life of the warrant or sooner if and when converted, of which 30,393 was amortized through June 30, 2014. On June 30, 2014, these Notes are convertible into approximately 1,275,863,375 shares of common stock, if available.

CUMULATIVE LOSSES AND MANAGEMENT'S PLANS

Through June 30, 2014 the Company has incurred cumulative losses totaling approximately $209,636,008 and at June 30, 2014 had a working capital deficit of $(2,880,043). Funding in our traditional capital markets was difficult during FYE 2014. Management of the Company continued to limit unnecessary dilution by issuing large amounts of equity at depressed prices to raise sums of cash considered necessary to maintain operating levels. The Company was able to raise $1,654,000 from private placements of equity net of fees, resulting in the issuance of 4,579,628 shares of common stock including 283,128,375 shares to finders.

The Company has also significantly reduced employee compensation, in many instances by as much as 20%, commencing in July 2010 and the Company has maintained a reduced workforce and workspace through the Fiscal Year June 30, 2014. The Company did make a nominal restoration of management salary in April, 2014 subsequent to a significant conversion of Officers' debt concurrent to a forgiveness by the officers' for unpaid salary and approximately half (1/2) of interest accrued on notes to the officers' which have been extended past their original repayment terms on multiple occasions.

In addition to deferring compensation from time to time the Company has obtained necessary working capital via bridge loans from officers (see notes payable to officers). Officers of the Company accrued unpaid salary from July 1 of 2013 through March 31 of 2014 of approximately $426,000 to further augment the cash flow needed to launch our JUMP products. On March 31, 2014 the Officers' and the Company undertook of a comprehensive restructuring of debt to the Officers in which: a.) $723,729 of officers' loans and a portion of accrued interest were settled for stock at $.0004 per share, or 1,809,326,625 common shares; b.) the Officers' agreed forego the above reference unpaid salary of $425,918 and accrued interest on these loans of $238,321; and c.) the Officers' agreed to extend the repayment terms of the remaining balance on these loans, $502,837, for a period of five (5) years and reduced the contractual interest rate from 12% to 6% and the new agreement amended the conversion feature, previously convertible at $.004, for a term of five (5) years commencing April 1, 2014; on terms comparable to concurrent from private placements of the Company's common stock at $.0004 per share. (See Note 9).

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, (3) continue its efforts to commercialize and sell and receive military grants for its SmartBattery, and (4) commercialize and sell its emergency flashlight and Jump products.

The Company is currently focused on development and commercialization of its battery jump starter product as well as the further development of its smart nano battery in both single and multi-cell form. The Company believes that these reserve batteries which have a much longer shelf life than conventional batteries will have significant commercial and military applications which the Company intends to actively pursue. .

ITEM 7A. QUALITATIVE AND QUANTITATIVE DISCLOSURES ABOUT MARKET RISKS

The Company is not exposed to changes in interest rates as the Company has no floating rate 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 interest rate yield curve would not materially affect the fair value of any financial instruments at June 30, 2012. We believe that interest rate risks for our accounts receivable are insignificant. Sales to customers are denominated in dollars. Accordingly, we are not directly exposed to market risks from currency fluctuations.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

See pages beginning page 69.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

ITEM 9A. CONTROLS AND PROCEDURES Assessment of Internal Controls Evaluation of Disclosure Controls and Procedures

The Company has implemented disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934 (the ‘‘Exchange Act’’) that are designed to ensure that information required to be disclosed in the Company’s Exchange Act reports are recorded, processed, summarized, and reported within the time periods specified in rules and forms of the Securities and Exchange Commission, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

As of June 30, 2014, the management of the Company carried out an assessment, under the supervision of and with the participation of the Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Exchange Act Rules 13a-15(b) and 15d-15(b). As of the date of this assessment, the Chief Financial Officer concluded that the Company’s disclosure controls and procedures were effective as of June

30, 2014.

Management's Report on Internal Control over Financial Reporting

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. The Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with accounting principles generally accepted in the United States of America. The Company utilizes the COSO Framework for internal control over financial reporting. Internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the interim or annual financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with policies or procedures may deteriorate.

The Company's management assessed the effectiveness of the Company's internal control over financial reporting as of June 30, 2014. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis. Our evaluation concluded that the company had no material weakness which would result in the reasonable possibility of a material misstatement described above.

This report does not include an attestation report of our registered public accounting firm regarding our internal controls over financial reporting. The disclosure contained under this Item 9A was not subject to attestation by our registered public accounting firm pursuant to temporary rules of the SEC that permit us to provide only the disclosure under this Item 9A in this annual report.

Changes in Internal Control over Financial Reporting

The Company has made steps toward remediating the internal control condition identified in the fiscal year June 30, 2009, described above. The Company has obtained, on a fee basis, an outside consultant to act as an accounting manager to assist the Company with the accounting of convertible debentures and derivatives and the consultant was utilized during all four quarters of the fiscal year ended June 30, 2012. However, mPhase Technologies is a small company with a total staff of approximately 6 employees and consultants. This size limits, and may continue to limit, the Company's ability to provide for adequate backup of financial personnel. Accordingly, efforts individually and in the aggregate may be insufficient to fully eliminate the condition that could adversely affect the organization's ability to record, summarize and report financial data consistent with the assertions of management in the financial statements.

There were no changes in our internal control over financial reporting during the fiscal year ended June 30, 2013 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Executive officers are selected by the Board of Directors. No family relationships exist between any of the executive officers or directors. The following table sets forth certain information with respect to each person who is an executive officer or director. mPhase's executive officers and directors as of June 30, 2014 are as follows:

NAME	AGE	POSITION(S)
Ronald A. Durando	57	Chief Executive Officer and Director
Gustave T. Dotoli (2)	77	Chief Operating Officer and Director
Martin Smiley	66	Chief Financial Officer
OUTSIDE DIRECTORS		
Abraham Biderman (1)(2)	66	Director
Dr. Victor Lawrence	65	Director

(1) Member of the Audit Committee
(2) Member of the Compensation Committee

RONALD A. DURANDO is a co-founder of mPhase and has served as the Company's President, Chief Executive Officer and Director since its inception in October 1996. Since 1994, Mr. Durando has been an Officer of Microphase Corporation. Mr. Durando is a Director of Microphase Corporation. From 1986-1994, Mr. Durando was President and Chief Executive Officer of Nutley Securities, Inc., a registered broker-dealer. Mr. Durando also served as president of PacketPort until his resignation in February, 2008, when PacketPort merged with Wyndstorm Corporation.

GUSTAVE T. DOTOLI has served as mPhase's Chief Operating Officer as well as a Director since October 1996. Prior to joining the Company, Mr. Dotoli was President and CEO of State Industrial Safety, Inc. from 1986-1996. In addition, Mr. Dotoli currently serves as the Vice President of Corporate Development of Microphase Corporation. Mr. Dotoli was also a Director and Vice President of Packet Port. He was formerly the President and Chief Executive Officer of the following corporations: Imperial Electro- Plating, Inc., World Imports USA, Industrial Chemical Supply, Inc., SISCO Beverage, Inc., and Met Pack, Inc. Mr. Dotoli received a B.S. in Industrial Engineering from Fairleigh Dickenson University in 1959.

ABRAHAM BIDERMAN has been a member of the Board since August 3, 2000. He currently is the Managing Director of Eagle Advisers, Inc, a small investment banking firm. From 1990 through September 30, 2003, Mr. Biderman had been employed by Lipper & Co. as Executive Vice President; Executive Vice President, Secretary and Treasurer of the Lipper Funds; and Co-Manager of Lipper Convertibles, L.P. Prior to joining Lipper & Co. in 1990, Mr. Biderman was Commissioner of the New York City Department of Housing, Preservation and Development from 1988 to 1989 and Commissioner of the New York City Department of Finance from 1986 to 1987. He was Chairman of the New York City Retirement System from 1986 to 1989. Mr. Biderman was Special Advisor to former Mayor Edward I. Koch from 1985 to 1986 and assistant to former Deputy Mayor Kenneth Lipper from 1983 to 1985. Mr. Biderman is a Director of the Municipal Assistance Corporation for the City of New York. Mr. Biderman graduated from Brooklyn College and is a certified public accountant.

MARTIN SMILEY was elected on June 28, 2006 to the Board of Directors. He joined mPhase as Executive Vice President, Chief Financial Officer and General Counsel in August 2000. Mr. Smiley has over twenty years experience as a corporate finance and securities attorney and as an investment banker. Prior to joining the company, Mr. Smiley served as a Principal at Morrison & Kibbey, Ltd., a mergers and acquisitions and investment banking firm, from 1998 to 2000, and as a Managing Director for CIBC Oppenheimer Securities from 1994 to 1998. He served as a Vice President of Investment Banking at Chase Manhattan Bank from 1989 to 1994, and as a Vice President and Associate General Counsel for Chrysler Capital Corporation from 1984 to 1989. Mr. Smiley graduated with a B.A. in Mathematics from the University of Pennsylvania and earned his law degree from the University of Virginia School Of Law.

DR VICTOR LAWRENCE is Batcheler Chair Professor of Electrical Engineering and Associate Dean for Special Programs in the Charles V Schafer, Jr. School of Engineering, at Stevens Institute of Technology. Dr. Victor Lawrence is a member of the National Academy of Engineering and has worked in the information technology and communications field for over thirty years. He is an industry leader in digital communications R&D and services, an entrepreneur, an active member of engineering professional organizations, an author, and a teacher who has extensive international experience. Prior to joining Stevens Institute of Technology, Dr. Lawrence was Vice President, Advanced Communications Technology, Bell Laboratories, Lucent Technologies. He led the development of technologies that go into the most innovative, reliable, and cost-effective communications networks for the leading telecommunications service providers. He has supported Lucent's businesses with a staff of about 500 leading technologists and a budget of about $100M. Major projects included gigabit, photonic, and wireless networking developments and services. He was responsible for a team of engineers that worked on performance analysis, simulations and development of broadband access and backbone networks for many national and international service providers. All of Lucent's R&D organizations relied on his high-technology support of computer-aided hardware design, physical and thermal design, systems compliance testing and certification, and design for high performance network control, signaling, and management. Earlier, he was Director, Advanced Multimedia Communications at Bell Labs, where he was responsible for systems engineering, exploratory development of multimedia signal processing, transmission, and switching, including speech and audio coding, modems, broadband transmission, ATM switching and protocols, and wireless communication and signal processing. He held a variety of leadership positions in data communications research, digital techniques, and information systems. His application of digital signal processing to data communications in the late 1980s and early 1990s led to many significant advances in high-speed transmission over copper lines (e.g., voice band modems and DSL), which helped create a global industry that leverages the public switched telephone network. Dr. Lawrence played a significant role in the development of major international voiceband modem standards, making high-speed data communication over international networks possible. The universal availability of high-speed data connectivity stimulated the growth and widespread use of the Internet. He led the development of high-speed modem/fax chip sets that are used in data terminals, computers, and voice terminals for secure communications worldwide. His work on high-speed transceivers for local loop and for premises applications led to the development of a variety of DSL technologies, many of which are deployed today for broadband services. As an entrepreneur, Dr. Lawrence spun off several ventures internal and external to Lucent to maximize the impact of technology developed in his organization.

At each annual meeting of stockholders, the newly elected directors' terms begin on the date of election and qualification, and continue through the next annual meeting following election. Terms may differ in the event a director resigns or is removed from office, or continues until a successor director is elected and qualified.

SECTION 16 (A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Directors, executive officers, and individuals owning more than 10 percent of mPhase common stock are required to file initial reports of ownership and changes in ownership with the SEC under Section 16(a) of the Securities Exchange Act of 1934, as amended. The SEC regulations also require those persons to provide copies of all filed Section 16(a) reports to the Company. mPhase has reviewed the report copies filed in fiscal year 2014 and, based also on written representations from those persons, the Company believes that there was compliance with Section 16(a) filing requirements for fiscal year 2014. All the officers and directors filed all of the required forms in a timely

manner.

ITEM 11. EXECUTIVE COMPENSATION

The following table sets forth, for the fiscal year ended June 30, 2014 and the two previous fiscal years, the compensation earned by mPhase's chief executive officer and the other executive officers whose compensation was greater than $100,000 for services rendered in all capacities to the Company for the year ended June 30, 2014

SUMMARY EXECUTIVE COMPENSATION

NAME& PRINCIPAL POSITION	**YEAR**	SALARY	BONUS	STOCK AWARDS	OPTION AWARDS	**NON-EQUITY INCENTIVE**	PENSION VALUE	OTHER	TOTAL
Ronald	**2014**	$118,333	$0	$1,136,000	0	N/A	N/A	$49,556 (4)	$1,303,889
Durando	**2013**	$61,667	$0	$0	0	N/A	N/A	$65,940	$127,607
Chief	**2012**	$110,000	$0	$2,488,500 (2)	$173,316 (3)	N/A	N/A	$54,681 (1)	$164,681
Executive Officer	**2011**	$160,000	$0	$0	$0	N/A	N/A	$33,728 (1)	$193,728
Gustave	**2014**	$85,000	$0	$686,000	$0	N/A	N/A	$37,614 (4)	$808,614
Dotoli	**2013**	$61,667	$0	$0	$0	N/A	N/A	$46,138	$104,805
Chief	**2012**	$107,333	$0	$1,858,500 (2)	$103,952 (3)	N/A	N/A	$36,103 (1)	$143,436
Operating Officer	**2011**	$144,000	$0	$0	$0	N/A	N/A	$18,610 (1)	$162,610
Martin	**2014**	85,000	$0	$686,000	$0	N/A	N/A	$33,516 (4)	$804,516
Smiley	**2013**	$61,667	$0	$0		N/A	N/A	$38,406	$100,073
CFO and	**2012**	$106,667	$0	$1,858,500 (2)	$62,394 (3)	N/A	N/A	$26,744 (1)	$133,411
General Counsel	**2011**	$140,000	$0	$0	$0	N/A	N/A	$16,569	$156,569

FOOTNOTES

(1) Interest on loans to the Company.

(2) Share grants are valued at the share price on the date the grant was authorized by the board of directors. The shares under the 2011 grant to officers are restricted from resale through August, 2015.

(3) Directors revised the exercise price of options to purchase up to 98,000,000 shares of common stock previously granted to officers in September, 2008 (originally exercisable for 5 years with an exercise price of 5 cents per share). The exercise price of options to purchase up to 98,000,000 shares was revised to $.0040; the incremental cost of $339,700 was recorded as deferred compensation which will be amortized to expense through September 18, 2013.

(4)

(5) Does not include $1,342,273 charged to beneficial conversion interest expense charged in FYE June 30, 2014 to amend the conversion feature of officer loans for Mssrs' Durando, Dotoli & Smiley discussed in footnote 8. Messrss. Durando, Dotoli and Smiley forgave a total of $425,918 of accrued and unpaid salary and $238,321 of accrued and unpaid interest as part of a debt/equity conversion that was effective March 31, 2014.

59

OUTSTANDING EQUITY AWARDS at FISCAL YEAR END JUNE 30, 2014

	Number of Securities underlying Unexercised Options (Exercisable)	Number of Securities underlying Unexercised Options (Unexercisable)	Equity Incentive Plan awards Number of Securities	Option Exercise Price	Option Expiration Date	Number of shares of stock that has not been vested	Market Value of Shares not vested	Equity Incentive
Ronald Durando President CEO	0			$ $ $				0
Gustave Dotoli COO	0			$ $ $				0
Martin Smiley Executive VP CFO Chief Legal Council	0			$ $ $				0

EMPLOYMENT AGREEMENTS WITH EXECUTIVE OFFICERS

The Company does not have written employment agreements with any of the named Executive Officers. As previously noted under “Risk Factors” the Company has accrued and unpaid salary owed to its 3 Officers and is continuing such practice owing to limited financial resources.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

The members of the Compensation Committee during fiscal 2014 were Messrs. Dotoli and Biderman . Mr. Biderman has never been an mPhase officer or employee. None of the Company's directors or executive officers served as a member of the Compensation Committee (or other board committee performing equivalent functions or, in the absence of such committee, the entire Board of Directors) of another entity during fiscal 2014 that has a director or executive officer serving also as a director on mPhase's Board of Directors. Mr. Dotoli, together with Mr. Durando and Mr. Ergul, were collectively controlling shareholders and Directors of Janifast Ltd. In March of 2009, Janifast Ltd. terminated operations.

COMPENSATION OF DIRECTORS

No Directors received compensation for their services as a Director.

AUDIT COMMITTEE

No members of the Audit Committee received compensation for their services on the Committee.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth as of August 26, 2014 certain information regarding the beneficial ownership of our shares:

1. by each person who is known by us to be the beneficial owner of more than five percent (5%) of our outstanding common stock;
2. each of our directors;
3. by each executive officer named in the Summary Compensation Table; and
4. by all of our directors and executive officers as a group.

AFFILIATES (1 & 2)	Shares	Warrants/ conversion rights	Options	TOTAL	%
Victor Lawrence	10,100,000	-	-	10,100,000	0.07 %
Anthony Guerino	-	-	-	-	0.00 %
Abraham Biderman	45,226,890	-	-	45,226,890	0.33 %
Gustave Dotoli (3)(5)	1,347,472,079	314,903,100	-	1,662,375,179	11.71%
Ron Durando (3)(4)	2,169,819,609	740,663,475	-	2,910,483,084	19.90%
Ned Ergul	24,213,343	-	-	24,213,343	0.17 %
Martin Smiley (3)	1,313,760,629	220,297,100	-	1,534,057,729	10.88%
Total Affiliates	4,910,592,550	1,275,863,675	-	6,186,456,225	43.06%

(1) Unless otherwise indicated, the address of each beneficial owner is 587 Connecticut Avenue, Norwalk, Connecticut 06854–1711.

(2) Unless otherwise indicated, mPhase believes that all persons named in the table have sole voting and investment power with respect to all shares of the Company beneficially owned by them. The percentage for each beneficial owner listed above is based on 13,884,394,595 shares outstanding on August 26, 2014, and, with respect to each person holding options or warrants to purchase shares that are exercisable within 60 days after August 26, 2014, the number of options and warrants are deemed to be outstanding and beneficially owned by the person for the purpose of computing such person's percentage ownership, but are not deemed to be outstanding for the purpose of computing the percentage ownership of any other person.

(3) Includes as warrants 740,663,475 shares, 314,903,100 shares and 220,297,100 shares issuable for loans plus accrued interest, if converted, for Messrs. Durando, Dotoli and Smiley respectively. Such conversions are subject to availability of authorized shares. On April 27, 2009, and amended as of August 25, 2011; the board of directors consolidated all amounts outstanding for all obligations to the officers, including unpaid compensation, and authorized the issuance of new notes with a term of five years, an interest rate of 12% and a conversion feature at a price of $.0040 on amounts outstanding plus accrued interest thereon. During the fiscal years ended June 30, 2009 , June 30, 2010 and in the three months ended September 30, 2011, the Company recorded $914,060 , $82,609 and $2,360, respectively, of beneficial interest expense with respect to the conversion feature. During the fiscal year ended June 30, 2014, the officers' were authorized by the board of directors' to enter into agreements to convert certain officer notes, previously convertible at $.004 from 2009 through April 2014, based upon the then concurrent terms of private placements with accredited investors; at $.0004, representing the now current terms of private placements with accredited investors. During the fiscal year ended June 30, 2014 the Company recorded $1,342,274 of beneficial conversion feature interest expense with respect to the conversion feature.

(4) Includes 1,950,671,992 shares owned by Karen Durando, his wife.

(5) Includes 1,324,364,274 shares owned by Patricia Dotoli, his wife.

	Shares	Warrants/ conversion rights	Options	TOTAL	%
Other investor (1)					
John Fife dba St. George Investors-(Arrangement #6 Discuused in Footnote #8 of the Finanacial Statements)					
On September 13, 2011, the Company issued a second Convertible Note to John Fife founder and president of St. George Investments, in a Private Placement pursuant to Section 4(2) of the Securities Act of 1933. As of June 30, 2014, this note would be convertible into 1,392,162,326 shares of common stock at the original terms.	-	1,392,162,326	-	1,392,162,326	9.11%

The Company is currently in litigation with John Fife seeking to void the convertible note with Fife that gives rise to his claimed beneficial ownership set forth above.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE

Material Related Party Transactions

The Company has material related party transactions. The Company incurs costs for engineering, design and production of prototypes and certain administrative functions from Microphase Corporation. Prior to March, 2008, it had purchased finished goods, primarily consisting of DSL splitter shelves and filters, from Janifast Limited.

Mr. Durando, President and CEO of mPhase, owns a controlling interest and is a director and President of Janifast Limited. Mr. Durando and Mr. Dotoli are officers of Microphase Corporation. Mr. Dotoli was also a shareholder of Janifast Limited prior to its discontinuing operations in March of 2009. Mr. Ergul owns a controlling interest and is a director of Microphase Corporation and is a director and shareholder of Janifast Limited. Microphase Corporation and Janifast Ltd. are significant shareholders of mPhase.

Mr. Abraham Biderman is a Managing Director of Eagle Advisers, Inc., a firm that performs investment banking services for the Company and was employed until September 30, 2003, by our former investment banking firm Lipper & Company.

Management believes the amounts charged to the Company by Microphase and Janifast Ltd. are commensurate with amounts that would be incurred if outside parties were used. The Company believes Microphase Corporation has the ability to fulfill its obligations to the Company without further support from the Company.

Transactions with Officers, Directors and their Affiliates

Directors that were significant shareholders of Janifast Limited prior to its ceasing operations in March of 2009 included Messrs. Durando and Dotoli

Total compensation and payables to related parties and to officers is summarized below:

Summary of compensation to related parties for the Twelve Months Ended June 30, 2014

	Durando	**Dotoli**	**Smiley**	**Biderman**	**Microphase**	**Total**
Consulting / Salary	$118,333	$85,000	$85,000			$288,333
Interest	$49,556	$37,614	$33,516			$120,686
Rent					$ 20,090	$20,090
G&A					$ 18,281	$18,281
R&D						$0
Finders Fees				$ 54,000		$54,000
Stock based compensation (shares issued)*	$1,136,000	$686,000	$686,000			$2,508,000
Total compensation for the Twelve Months Ended June 30, 2014	**$1,303,889**	**$808,614**	**$804,516**	**$ 54,000**	**$ 38,371**	**$3,009,390**

Summary of compensation to related parties for the Twelve Months Ended June 30, 2013

	Durando	**Dotoli**	**Smiley**	**Biderman**	**Microphase**	**Total**
Consulting / Salary	$61,667	$61,667	$61,667			$185,001
Interest	$65,940	$46,138	$38,406			$150,484
Rent					$ 5,290	$5,290
G&A					$ 7,666	$7,666
R&D						$0
Finders Fees				$ 28,500		$28,500
Total compensation for the Twelve Months Ended June 30, 2013	**$127,607**	**$107,805**	**$100,073**	**$ 28,500**	**$ 12,956**	**$376,941**

Summary of payables to related parties as of June 30, 2014

	Durando	Dotoli	Smiley	Total Notes Payable	Biderman	Microphase	Total
Notes payable	$289,015	$122,865	$0	$411,880			$411,880
Accrued Wages Officers	$0	$0	$0	$0			$0
Due to Officers / Affiliates					$150,000	$16,183	$166,183
Interest Payable	$7,250	$3,096	$88,119	$98,465			$98,465
Total Payable to Officers / Affiliates as of June 30, 2014	**$296,265**	**$125,961**	**$88,119**	**$510,345**	**$150,000**	**$16,183**	**$676,528**

Summary of payables to related parties as of June 30, 2013

	Durando	Dotoli	Smiley	Total Notes Payable	Biderman	Microphase	Total
Notes payable	$449,523	$322,963	$276,426	$1,048,912			$1,048,912
Accrued Wages Officers	$95,667	$95,667	$75,417	$266,751			$266,751
Due to Officers / Affiliates					$156,000	$ 56,084	$212,084
Interest Payable	$124,712	$84,883	$67,029	$276,624			$276,624
Total Payable to Officers / Affiliates as of June 30, 2012	**$669,902**	**$503,513**	**$418,872**	**$1,592,287**	**$156,000**	**$ 56,084**	**$1,804,371**

Conversion of Debt to Officers'

During the fiscal year ended June 30, 2014, the officers' were authorized by the board of directors' to enter into agreements to convert certain officer notes, previously convertible at $.004 from 2009 through April 2014, based upon the then concurrent terms of private placements with accredited investors; at $.0004, representing the now current terms of private placements with accredited investors. As a result thereon $723,729 of loans, accrued interest and unpaid salary were converted into 1,810,826,637 shares of common stock with a conversion rate of $.0004 per share and warrants to purchase shares of common stock at $.0004 for a term of five years effective March 31, 2014, respectively. In connection with these transactions the officers' agreed to forego and cancel $425, 918 of accrued wages since fiscal 2013 and $238,321 of accrued interest since fiscal 2009 totaling a cancelation of $664,239 of debt; which when combined with the beneficial conversion feature of the 1,809,326,625 of shares converted for $723,729 of $1,673,261 less $361,380 debt forgiven attributable to the conversions resulted in $1,311,881 beneficial conversion feature interest expense during the nine months ended March 31, 2014, and the Company amortized $30,393 from April 1, 2014 through June 30, 2014 for a total of $1,342,274 during the current period. The value of the warrants

computed using the black shoals method with a volatility of 100%, risk free interest rate of .05% and a term of five years which was computed to be $1,413,547 for the conversion feature at $.0004 at the option of the officers, to the extent shares are available and $502,837 of remaining debts to officers', less 302,859 debt forgiven attributable to the warrant resulted in $607,851 deferred beneficial conversion feature interest expense, a reduction of additional paid in capital, which will be amortized on a straight line basis over the life of the warrant or sooner if and when converted, of which 30,393 was amortized through June 30, 2014. On June 30, 2014, these Notes are convertible into approximately 1,275,863,375 shares of common stock, if available.

In July of 2009, Microphase Corporation converted $200,000 of Accounts Payable owed by the Company into common stock valued at $.0075 per share (26,666,667 shares). Such price was determined based upon the price of private placements of equity by the Company during such period.

On October 7, 2009, the Company paid Messrs. Durando, Dotoli and Smiley $45,000, $45,000 and $25,000 respectively in reduction of amounts owed to them by the Company for unpaid compensation and bridge loans.

During the twelve months ended June 30, 2010, the Company incurred finders' fees of $25,000 with Mr. Biderman's affiliated firm of Palladium Capital Advisors. Mr. Biderman was employed until September 30, 2003, by our former investment banking firm, Lipper & Company. As of June 30, 2010, the Company owed Palladium Capital Advisors $25,000 in unpaid finders' fees.

During the twelve months ended June 30, 2011 and 2012, the Company incurred additional finders' fees of $24,500 and $13,000 with Mr. Biderman's firm Eagle Strategic Advisers.

During the twelve months ended June 30, 2007, Mr. Biderman, through his affiliated firm of Palladium Capital Advisors, earned finder's fees of $520,000 in connection with the raising of approximately $5 million in various equity transactions during the year.

In addition, at various points during fiscal year ended June 30, 2007, Messrs. Durando, Dotoli and Smiley provided $650,000 in bridge loans to the Company which was evidenced by individual promissory notes. During December 2006, Messrs. Durando and Dotoli agreed to convert their notes, in the amounts of $130,000 and $200,000 respectively, to a deferred compensation arrangement, the repayment terms of which have not been specified. Mr. Smiley has extended bridge loans to the Company of $160,000, evidenced by promissory notes for $101,000 and a $60,000 note with a 12% rate of interest. In summary as of June 30, 2007, bridge loans outstanding were $85,000, $75,000 and $161,000 to the Messrs. Durando, Dotoli and Smiley, respectively. All of the foregoing promissory notes were payable on demand and only the $161,000 payable to Mr. Smiley remained outstanding in June 2008. As of June 30, 2010, only $110,030 payable to Mr. Smiley remained outstanding.

During the 12 month period ended June 30, 2006, Eagle Advisers, an investment banking firm founded by Mr. Biderman earned fees and reimbursement expenses of approximately $782,568 in connection with services in regard to private placements of the Company's common stock and warrants and raised a total of $5,820,652 net of such fees for the Company.

During the fiscal year ended June 30, 2006, Mr. Edward Suozzo, a consultant of the Company, converted $50,000 of accounts payable owed by the Company into 331,864 shares of common stock plus a 5 year warrant to purchase 277,778 shares of common stock at $.18 per share. During fiscal year ended June 30, 2005, Mr. Suozzo converted $20,000 of accounts payable owed by the Company into 100,000 shares of common stock plus a 5 year warrant to purchase 100,000 shares of common stock at $.25 per share.

During fiscal year ended June 30, 2006, Microphase Corporation and Janifast Corp., both related parties, respectively converted $369,000 and $171,000 of accounts payable owed by the Company into 2,050,000 and 950,000 shares of common stock plus a 5 year warrant to purchase 2,050,000 and 950,000 shares of common stock at $.18 per share.

Effective June 30, 2004, the Company was $473,787 in arrears with respect to a promissory note issued to Piper Rudnick LLP plus other legal fees of $118,773.36. It should be noted that Piper & Rudnick, the Company’s outside counsel, received such promissory note in March of 2002 plus two warrants that expired in March 8, 2007 in exchange for cancellation of certain payables. Such warrants had conversion rights into our common stock for a total of 2,233,490 shares that had been registered under a Form S-1 Registration Statement, and were cashless. On September 3, 2003, in exchange for reducing the total payable to $550,000, the Company paid $10,000 in cash to Piper and issued an additional cashless warrant for $150,000 worth of the Company's common stock valued at $.25 per share. The remaining $300,000 payable had the following future payment schedule: payments of $25,000 each on December 1, 2004, March 1, 2005, June 1, 2005, September 1, 2005, March 1, 2006, June 1, 2006 and September 1, 2006, a payment of $50,000 on December 1, 2005, and a payment of $75,000 due on December 1, 2006. On August 30, 2004, the Company paid $100,000 to Piper & Rudnick, LLP in connection with the renegotiation of a Payment Agreement effective June 30, 2004. Under the terms of the renegotiated Payment Agreement, the Company agreed to payments of $25,000 each on December 1, 2004, March 1, 2005, June 1, 2005 and September 1, 2005 and a payment of $50,000 on December 1, 2006 plus $25,000 payments on March 1, 2006, June 1, 2006, September 1, 2006 and a final payment of $75,000 payment on December 1, 2007. In addition, Piper & Rudnick LLP agreed to convert $150,000 of such

payable into a 5 year cashless warrant to purchase the Company's common stock at $.25 per share. The Company has made all of the above payments except for $65,000 of the $75,000 due December 1, 2006, that is presently in arrears.

Necdet F. Ergul, Ronald A. Durando and Gustave T. Dotoli are executive officers and shareholders of Microphase and Ronald Durando and Gustave T. Dotoli served as president and vice- president of PacketPort.com., respectively until Packetport.com merged with Wyndstorm Corporation in February of 2008, at which time Mr. Durando and Mr. Dotoli resigned from their respective positions..

On November 26, 1999, PacketPort, Inc., a company owned 100% by Mr. Durando, acquired a controlling interest in Linkon Corp., which subsequently changed its name to PacketPort.com, Inc. In connection with this transaction, Mr. Durando transferred 350,000 shares of our common stock to PacketPort, Inc.

Transactions with Microphase Corporation

mPhase's President and Chairman of the Board of the Company are also employees of Microphase. On May 1, 1997, the Company entered into an agreement with Microphase whereby it would use office space as well as the administrative services of Microphase, including the use of accounting personnel. This agreement for fiscal year 2011 required mPhase to pay Micophase $3,000 per month. Microphase also charges fees for specific projects on a project-by-project basis. During the year ended June 30, 2013 and 2014, $12,596 and $38,371 respectively, have been charged to expense or inventory under these Agreements. Management believes that amounts charged to the Company by Microphase are commensurate with amounts that would be incurred if outside third parties were used. The Company is obligated to pay a 3% royalty to Microphase on revenues from its proprietary Traverser Digital Video and Data Delivery System and DSL component products.

Mr. Durando, President and CEO of mPhase, owns a controlling interest and is a director and President of Janifast Limited. Mr. Durando and Mr. Dotoli are officers of Microphase Corporation. Mr. Dotoli was also a shareholder of Janifast Limited prior to its discontinuing operations in March of 2009. Mr. Ergul owns a controlling interest and is a director of Microphase Corporation and is a director and shareholder of Janifast Limited. Microphase Corporation is a significant shareholder of the Company. Janifast Limited had been a significant shareholder of the Company until September 17, 2009, when it transferred to Mr. Durando 11,735,584 shares, representing all the shares of the Company held by Janifast, in partial consideration of the cancellation of loan obligations to Mr. Durando in connection with the plan of its liquidation.

Transactions with Janifast

Janifast Ltd., a Hong Kong corporation manufacturer, had produced components for our now discontinued Traverser_ DVDDS product. Necdet F. Ergul, Ronald A. Durando and Gustave T. Dotoli are controlling shareholders of Janifast Ltd. with an aggregate ownership interest of greater than 75% of Janifast Ltd. Mr. Durando is Chairman of the Board of Directors and Mr. Ergul is a Director of Janifast. Janifast Ltd. ceased operations in March, 2009, and the Company has had no transactions with Janifast during or since its fiscal year ended June 30, 2010.

Reparation Shares issued to related parties

During the fiscal year ended June 30, 2006, the Company issued 3,931,382 shares valued at $728,434 and 4,504,542 shares valued at $834,633 for reparation of investments of $200,000 for 1,000,000 shares and $250,000 for 1,250,000 shares made during fiscal year ended June 30, 2005 by Janifast and Microphase, respectively, concurrently on the same terms reparations were issued to other investors of the same private placements.

During the fiscal year ended June 30, 2007, Janifast was issued 769,231 shares valued at $138,462 for reparation of an investment of $171,000 for 950,000 shares issued for an investment made in fiscal year ended June 30, 2006, concurrently on the same terms reparations were issued to other investors of the same private placement.

Transactions with Other Related Parties

In March 2000, mPhase acquired a 50% interest in mPhaseTelevision.Net (formerly Telco Television Network, Inc.), an incorporated joint venture. This percentage was increased to approximately 57% in fiscal year 2001. Alpha Star International, Inc. currently owns the remaining joint venture interest. The joint venture has been inactive for a period of five years and is in the process of being dissolved.

Mr. Durando, President and CEO of mPhase, owned a controlling interest and was a director and President of Janifast Limited. Mr. Durando and Mr. Dotoli are officers of Microphase Corporation. Mr. Dotoli was also a shareholder of Janifast Limited prior to its discontinuing operations in March of 2009. Mr. Ergul owns a controlling interest and is a director of Microphase Corporation and is a director and shareholder of Janifast Limited.

Microphase Corporation is a significant shareholder of the Company. Janifast Limited had been a significant shareholder of the Company until September 17, 2009, when it transferred to Mr. Durando 11,735,584 shares, representing all the shares of the Company held by Janifast, in partial consideration of the cancellation of loan obligations to Mr. Durando in connection with the plan of its liquidation.

SUBSEQUENT EVENTS

On August 8, 2014, the Company paid in full $40,000 principle and together with $2,632 accrued interest and $14,900 of prepayment fees to MH Investment Trust in satisfaction of its Convertible Promissory Note to MH Investment Trust for $40,000, originally funded on January 7, 2014.

On September 5, 2014 the Company announce on form 8k that pursuant to Section 4(2) of the Securities Act of 1933, as amended, the Company issued a convertible note to MH Investment Trust in a Private Placement. The Company received in $40,000 cash proceeds from the sale of the 6% Convertible Note that will be used as additional working capital.

From July 1, 2014 through September 26, 2014 the Company has completed transactions in a private placement of its common stock to 5 accredited investors pursuant to Rule 506 of Regulation D and Section 4(2) of the Securities Act of 1933, as amended. The Company received proceeds of $170,000, made available for working capital, in connection with the issuance of 455,000,000 shares of its common stock at $.0004, including 30,000,000 shares to finders.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES.

Audit Fees

The audit fees billed by our accounting firm of Demetrius Berkower, LLC.. for fiscal years ended June 30, 2014 and June 30, 2013 were $40,000 and $55,000.

Audit Related Services

There were no fees for audit related services billed for the fiscal year ended June 30, 2013. The fees billed for audit related services for the fiscal year ended June 30, 2014 were also $0.

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) The following documents are filed as part of this Form 10-K (1) Consolidated Financial Statements

(2) Financial Statement Schedules None.

(3) The Exhibits filed with this Form 10-K or, where so indicated by footnote in the case of previously filed exhibits, incorporated by reference are as set forth below:

2.1*	Exchange of Stock Agreement and Plan of Reorganization (incorporated by reference to Exhibit 2(a) to our registration statement on Form 10SB-12G filed on October 16, 1998 (file no. 000-24969)).
2.2*	Exchange of Stock Agreement and Plan of Reorganization dated June 25, 1998 (incorporated by reference to Exhibit 2(b) to our registration statement on Form 10SB-12G filed on May 6, 1999 (file no. 000-24969)).
3.1***	Certificate of Incorporation of the Company.
3.2***	Bylaws of the Company
4.1*	Minutes of Special Meeting of the Board of Directors held on April 27, 2009, authorizing convertibility of officers' promissory notes. (Amendment No. 4 to Form 10-K for the period ended June 30, 2010, filed January 11, 2011 (file no. 000-30202))
10.1*	License Agreement, dated March 26, 1998, between the Company and Georgia Tech Research Corporation (incorporated by reference to Exhibit 10(e) to our registration statement on Form 10SB-12G filed on October 16, 1998 (file no. 000- 24969)).
10.2*	First Amendment to the License Agreement dated January 8, 2001, between the Company and Georgia Tech Research Corporation (incorporated by reference to Exhibit 10.2 to our registration statement on Form S-1 filed on June 18, 2001 (file no. 33-63262)).
10.9*	Facilities/Services Agreement between the Company and Microphase Corporation, dated as of July 1, 1998 (incorporated by reference to Exhibit 10.9 to our registration statement on Form S- 1 filed on June 18, 2001 (file no. 33- 63262).
10.10*	Company's 2001 Stock Incentive incorporated by reference to Exhibit C to Preliminary Proxy on Schedule 14A filed on March 21, 2001 (file no. 000- 30202).
10.18***	Development Agreement effective February 3, 2004 between Lucent Technologies, Inc. and mPhase Technologies, Inc for development of micro fuel cell Nano Technology.

10.21***	Development Agreement effective March 1, 2005 between Lucent Technologies Inc and mPhase Technologies relating to development of Magnetometers.
10.22***	Amendment No. 2 to Development Agreement executed as of March 9, 2005 amending Development Agreement effective as of February 5, 2004, as amended relating to Micro Power Source Cells between mPhase Technologies, Inc. and Lucent Technologies, Inc.
10.33***	Amendment No. 3 dated May 19, 2006 to Development Agreement between Lucent Technologies, Inc. and mPhase Technologies, Inc. effective February 3, 2004 for Development of micro fuel cell Nanotechnology.
10.34***	Amendment No. 4 dated February 3, 2007 to Development Agreement between Lucent Technologies, Inc. and mPhase Technologies, Inc. effective February 3, 2004 for Development of micro fuel cell Nanotechnology.
10.35***	Cooperative Research Agreement Rutgers University and mPhase Technologies, Inc. executed October 18, 2005.
10.36***	Modification No. 1 to Cooperative Research Agreement with Rutgers University dated February 22, 2006.
10.37***	Modification No. 2 to Cooperative Research Agreement with Rutgers University dated September 22, 2006.
10.38***	Modification No. 3 to Cooperative Research Agreement with Rutgers University dated February 7, 2007.
10.40***	CT NanoBusiness Alliance Consulting Agreement dated May 10, 2007.
10.41***	Amendment No.5 dated April 28, 2007 to Development Agreement between Lucent Technologies, Inc. and mPhase Technologies, Inc. effective February 3, 2004 for Development of micro fuel cell Nanotechnology.
10.43*	Cooperative Research and Development Agreement between US Army Picatinny Arsenel and mPhase Technologies, Inc. dated December 20, 2006. (Exhibit 43 to Form S-1 filed July 12, 2007, File No. 333-144527).
10.44***	Small Business Technology Transfer Collaboration Agreement between Rutgers University and mPhase Technologies, Inc. dated June 25, 2007
10.46*	Phase I Army Grant dated July 7, 2007 (Form 10-K filed October 7, 2009, Commission File No. 000-24969)
10.47*	Securities Purchase Agreement dated December 11, 1007 between mPhase Technologies, Inc. and Golden Gate Investors and Related Documents in connection with $1,500,000 Convertible Debenture Financing (Form 10-K filed October 7, 2009, Commission File No. 000-24969)
10.48*	Securities Purchase Agreement dated February 29, 2008 between St. George Investments and mPhase Technologies, Inc and Related Documents in connection with $550,000 Convertible Debenture Financing. (Form 10-K filed October 7, 2009, Commission File No. 000-24969)
10.49*	Documentation including $350,000 Convertible Note and $1,000,000 Convertible Note and Secured Note for $1,000,000 Financing between mPhase Technologies, Inc. and JMJ Financial dated March 25, 2008

	(Form 10-K filed October 7, 2009, Commission File No. 000-24969)
10.52*	Phase II Army Grant dated August 29, 2008 (Form 10-K filed October 7, 2009, Commission File No. 000-24969)
10.53*	Securities Purchase Agreement dated September 12, 2008 between mPhase Technologies, Inc. and La Jolla Cove Investors and Related Documents in connection with $2,000,000 Convertible Debenture Financing (Form 8K filing dated September 18, 2008)
10.54*	Design Development Agreement between mPhase Technologies, Inc. and Porsche Design Studio for Emergency Flashlight dated November 3, 2008. (Form 8K filed on March 12, 2009) **
10.55*	Documentation dated December 31, 2008 for $1,100,000 Convertible Note and Secured Note Financing between mPhase Technologies, Inc. and JMJ Financial and Amendment to $350,000 Convertible Note Financing (Form 8K Filing dated January 21, 2009, Commission File No. 000-24969)
10.56*	Eagle Picher Proposal for mPhase Technologies, Inc. dated January 26, 2009 for design and development of mechanically- activated Reserve Battery to be used in Emergency Flashlight. (Form 8-K filed January 30, 2009)**
10.57*	Termination Agreement with Golden Gate Investors dated March 17, 2009 with respect to Convertible Debenture Financing dated December 11, 2007 (Form 10-K filed October 7, 2009, Commission File No. 000-24969)
10.59*	Documentation including $1,870,000 Convertible Note and Secured Note for Financing with JMJ Financial dated August 21, 2009 (Form 8K dated August 21, 2009, Commission File No. 000-24969)
10.60*	Documentation including two $1,200,00 Convertible Notes executed September 23, 2009 and November 17, 2009 and Secured Notes in connection with financing with JMJ Financial (Forms 8k dated December 23,2009 and December 30, 2009 respectively each Commission File No. 000-25969))
10.61*	Promissory Notes Payable to Mr. Durando (Amendment No. 4 to Form 10-K for the period ended June 30, 2010, filed January 11, 2011 30202))

10.62*	Promissory Notes Payable to Mr. Dotoli (Amendment No. 4 to Form 10-K for the period ended June 30, 2010, filed January 11, 2011 (fil 10.63*Promissory Notes Payable to Mr. Smiley (Amendment No. 4 to Form 10-K for the period ended June 30, 2010, filed January 11, 2011 (fi 31.1 Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
10.63*	Promissory Notes Payable to Mr. Smiley (Amendment No. 4 to Form 10-K for the period ended June 30, 2010, filed January 11, 2011 (Commission File No. 000-30202))
10.64*	Forbearance Agreement dated as of September 13, 2011 between mPhase Technologies, Inc. and John Fife (Exhibit 99.1 to Form 8k filed September 16, 2011, (Commission file No. 000-24969))
10.65*	Securities Purchase Agreement, dated as of September 13, 2011 between mPhase Technologies, Inc and John Fife (Exhibit 99.2 to Form 8k filed September 16, 2011, (Commission file No. 000-24969))
10.66*	Officer's Certificate delivered pursuant to Securities Purchase Agreement, dated as of September 13, 2011 between mPhase Technologies, Inc. and John Fife (Exhibit 99.3 to Form 8k filed September 16, 2011, (Commission file No. 000- 24969))
10.67*	Confession of Judgment 1 delivered pursuant to Securities Purchase Agreement, dated as of September 13, 2011 between mPhase Technologies, Inc. and John Fife (Exhibit 99.4 to Form 8k filed September 16, 2011, (Commission file No. 000- 24969))
10.68*	Confession of Judgment 2 delivered pursuant to Securities Purchase Agreement, dated as of September 13, 2011 between mPhase Technologies, Inc. and John Fife (Exhibit 99.5 to Form 8k filed September 16, 2011, (Commission file No. 000- 24969))
10.69*	Registration Rights Agreement dated as of September 13, 2011 between mPhase Technologies, Inc. and John Fife (Exhibit 99.6 to Form 8k filed September 16, 2011, (Commission file No. 000-24969))
10.70*	Convertible Note dated September 13, 2011issued by mPhase Technologies, Inc. to John Fife (Exhibit 99.7 to Form 8k filed September 16, 2011, (Commission file No. 000-24969))
10.71*	Convertible Note dated August 11, 2011 issued by mPhase Technologies to Jay Wright (Exhibit 10.71 to Amendment No.4 to Form S-1 filed January 17, 2012(Commission File No. 333-77248))
10.72 *	Warrant dated August 11, 2011 issued by mPhase Technologies to Jay Wright (Exhibit 10.72 to Amendment No.4 to Form S-1 filed January 17, 2012(Commission File No. 333-77248))
10.73*	Investment Agreement for Equity Line of Credit dated as of November 30, 2011 between mPhase Technologies, Inc. and Dutchess Opportunity Fund L.L.P. (Exhibit 10.73 to Amendment No.4 to Form S-1 filed January 17, 2012(Commission File No. 333-77248))
10.74*	Registration Rights Agreement for Equity Line of Credit dated as of November 30, 2011 between mPhase Technologies, Inc. and Dutchess Opportunity Fund II L.L.P. (Exhibit 10.74 to Amendment No.4 to Form S-1 filed January 17, 2012(Commission File No. 333-77248))
10.75*	Securities Purchase Agreement dated as of November 17, 2011 between Asher Enterprises, Inc. and mPhase Technologies, Inc.(Exhibit 99.1 to Form 8K filed November 30, 2011 (Commission file No. 000-24969))

10.76* 8%Convertible Note issued to Asher Enterprises, Inc. dated November 17, 2011 by mPhase Technologies, Inc.(Exhibit 99.2 to Form 8K filed November 30, 2011 (Commission file No. 000-24969))

10.77* Securities Purchase Agreement dated as of January 5, 2012 between Asher Enterprises, Inc. and mPhase Technologies, Inc.(Exhibit 99.1 to Form 8K filed January 17, 2012 (Commission file No. 000-24969))

10.78* 8%Convertible Note issued to Asher Enterprises, Inc. dated January 5, 2012 by mPhase Technologies, Inc.(Exhibit 99.2 to Form 8K filed January 17, 2012 (Commission file No. 000-24969))

10.79* Securities Purchase Agreement dated as of May 4, 2012 between Asher Enterprises, Inc. and mPhase Technologies, Inc.(Exhibit 10.79 to Form 10K for the fiscal year ended June 30, 2012 filed September 24, 2012 (Commission file No. 000-24969))

10.80*	8%Convertible Note issued to Asher Enterprises, Inc. dated May 4, 2012 by mPhase Technologies, Inc. (Exhibit 10.80 to Form 10K for the fiscal year ended June 30, 2012 filed September 24, 2012 (Commission file No. 000-30202))
10.81*	Stand Still and Restructuring Agreement entered into as of May 31,2012 with John Fife (Exhibit 99.1 to Form 8K filed June 5, 2012 (Commission file No. 000-24969))
10.82*	Stand Still and Restructuring Agreement entered into as of June 1,2012 with JMJ Fiancial (Exhibit 99.2 to Form 8K filed June 5, 2012 (Commission file No. 000-24969))
10.83*	Securities Purchase Agreement, dated as of December 4, 2012 between mPhase Technologies, Inc and Asher Enterprises, Inc. (Exhibit 99.1 to Form 8K dated December 13, 2012(Commission File No. 000-24969))
10.85*	Securities Purchase Agreement dated as of January 18, 2003 between mPhase Technologies, Inc. and Black Arch Opportunity Fund L.P. (Exhibit 99.1 to Form 8K dated January 22, 2013 (Commission File No. 000-24969))
10.86*	12% Convertible Promissory Note with an issue date of January 14, 2013 issued by mPhase Technologies, Inc. to Black Arch Opportunity Fund L.P. (Exhbit 99.2 to Form 8K dated January 22, 2013 (Commission File No. 000-24969))
10.87*	Securities Purchase Agreement dated as of January 31, 2013 between mPhase Technologies, Inc. and Asher Enterprises, Inc. (Exhibit 99.1 to Form 8K dated February 15, 2013(Commission File No. 000-24969))
10.88*	8% Convertible Promissory Note dated as of January 31, 2013 issued by mPhase Technologies,Inc. to Asher Enterprises, Inc. (Exhibit 99,2 to Form 8k dated February 15, 2013 (Commission File No. 000-24969))
10.89*	Securities Purchase Agreement dated as of June 26, 2013 between mPhase Technologies, Inc. and Asher Enterprises, Inc. (Exhibit 99.1 to Form 8k dated July 18, 2013 (Commission File No. 000-24969))
10.90*	8% Convertible Promissory Note dated as of June 26, 2013 (Exhibit 99.2 to Form 8K dated July 18, 2013 (Commission File No. 000-24969))
10.91*	Securities Purchase Agreement dated as of January 10, 2014 between mPhase Technologies, Inc. and M H Investment Trust (Exhibit 99.1 to Form 8K dated January 10, 2014 (Commission File No 000-24969))
10.92*	12% Convertible Promissory Note dated as of January 10, 2014 between mPhase Technologies, Inc. and M H Investment Trust (Exhibit 99.2 to Form 8K dated January 10, 2014 (Commission File No 000-24969))
	12% Convertible Promissory Note dated as of August 26, 2014 between mPhase Technologies, Inc. and M H Investment Trust (Exhibit 99.1 to Form 8K dated September 5, 2014 (Commission File No. 000-24969))
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	