MPHASE TECHNOLOGIES INC
Form 10-Q/A
May 12, 2010

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q/A
(Amendment no. 3)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

FOR THE QUARTER ENDED December 31, 2009

COMMISSION FILE NO. **000-30202**

mPhase Technologies, Inc.
(Exact name of registrant as specified in its charter)

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

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

INDICATE BY CHECK MARK WHETHER THE REGISTRANT (1) HAS FILED ALL REPORTS REQUIRED TO BE FILED BY SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934, DURING THE PRECEDING 12 MONTHS (OR FOR SHORTER PERIOD THAT THE REGISTRANT WAS REQUIRED TO FILE SUCH REPORT), AND (2) HAS BEEN SUBJECT TO SUCH FILING REQUIREMENTS FOR THE PAST 90 DAYS.

YES [X] **NO** [ ]

THE NUMBER OF SHARES OUTSTANDING OF EACH OF THE REGISTRANT'S CLASSES OF COMMON STOCK AS OF February 12, 2010 IS 1,050,229,253 SHARES, ALL OF ONE CLASS OF $.01 STATED VALUE COMMON STOCK.

Explanatory Note

This Form 10-Q/A (3) is being filed for the purpose of restating those financial statements contained herein affected by the restatement of the financial statements for fiscal years ended June 30, 2008 and 2009 as originally contained in the Company's Form 10-K filed with the U.S. Securities and Exchange Commission on October 7, 2009, and restated in the Company's Form 10-K/A (2) filed with the U.S. Securities and Exchange Commission on April 21, 2010. The restatement involves reclassifying certain equity instruments out of additional paid in capital into other contingent liabilities for free standing warrants to issue shares at a fixed price as such warrants were issued subsequent to the Company entering into Convertible Debenture agreements which have features that may result in the obligation to issue shares in excess of authorized shares available. The contingent liability was recorded at the fair market value at the issuance date of the free standing warrants and recalculated at June 30, 2008 and again at September 30, 2008, on the quarterly measurement date, with the net change in the contingent liability credited to the change in derivative value in the Consolidated Statement of Operations for each period in accordance with FASB standards classification topic 815 (previously known as EITF 00-19). The restatements decrease the Net Loss for the fourth quarter and for the fiscal year ended June 30, 2008 by $572,900, as well as increase total liabilities and Total Stockholders' Deficit at June, 30 2008 by $433,300. The restatements decrease the Net Loss for the first quarter and for the fiscal year ended June 30, 2009 by $433,300.

As discussed in the footnote to the financial, the contingent liability was recorded at the fair market value at the issuance date of the free standing warrants and recalculated on the quarterly measurement date, with the net change in the contingent liability credited to the change in derivative value in the Consolidated Statement of Operations for each period in accordance with EITF 00-19.

In addition, the Company is also concurrently filing certain additional improvements to its disclosure in this amended Form 10-Q for the quarter ended December 31, 2009.

This Form 10Q/A (3) has not been updated for any events or subsequent information other than the restatements discussed above.

mPHASE TECHNOLOGIES, INC.

INDEX

mPHASE TECHNOLOGIES, INC.
(A Development Stage Company)

Consolidated Balance Sheets

	June 30, 2009	December 31, 2009 (Unaudited)
ASSETS	As Restated	As Restated
CURRENT ASSETS		
Cash	$ 100,138	$ 523,064
Accounts receivable	46,065	50,305
Prepaid and other current assets	153,636	206,346
Total Current Assets	299,839	779,715
Property and equipment, net	39,648	81,270
Note receivable	3,150,000	6,214,000
TOTAL ASSETS	**$ 3,489,487**	**$ 7,074,985**
LIABILITIES AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES		
Accounts payable	$ 1,864,955	$ 1,755,314
Accrued expenses	482,388	580,362
Due to related parties	369,920	65,958
Notes payable, related parties	1,332,400	1,314,796
Short term notes	240,820	240,820
Current Portion, Long term debt	-	9,782
TOTAL CURRENT LIABILITIES	$ 4,290,483	$ 3,967,031
Long term portion Equipment loan	-	32,981
Convertible debt derivative liability - (Note 4)	2,380,816	4,952,278
Convertible debentures net of discount of $1,385,395 and $3,213,664 on June 30, 2009 and Dec. 31, 2009 respectively (Note 4)	2,052,355	4,445,361
TOTAL LIABILITIES	**$ 8,723,654**	**$ 13,397,651**
COMMITMENTS AND CONTINGENCIES (Note 6)		
STOCKHOLDERS' DEFICIT		
Common stock, par value $.01, 2,000,000,000 shares authorized 870,419,882 and 1,035,959,396 shares issued and outstanding at June 30, 2009 and Dec. 31, 2009 respectively	8,704,197	10,359,593
Additional paid in capital	172,861,427	174,014,612
Deficit accumulated during development stage	(186,791,819)	(190,688,900)
Less-Treasury stock, 13,750 shares at cost	(7,973)	(7,973)
TOTAL STOCKHOLDERS' DEFICIT	**($5,234,168)**	**($6,322,666)**

TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	**$ 3,489,487**	**$ 7,074,985**

The accompanying notes are an integral part of these consolidated financial statements.

3

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

	For the Three Months ended Dec 31, 2008	For the Three Months ended Dec 31, 2009	Date of Inception to Dec 31, 2009 As Restated
REVENUES	$ 44,857	$ 34,537	$ 22,834,993
COSTS AND EXPENSES			
Cost of Sales	0	0	16,424,692
Research and Development (including non-cash stock related charges of $0, $0 and $2,503,719 for the three months ended Dec. 31, 2008, 2009 and inception to date respectively)	215,620	579,247	61,309,746
General and Administrative (including non-cash stock related charges of $0, $43,050 and $67,887,964 for the three months ended Dec. 31, 2008, 2009 and inception to date respectively)	499,725	489,232	119,936,009
Depreciation and Amortization	12,642	7,286	3,316,735
TOTAL COSTS AND EXPENSES	727,987	1,075,765	$ 200,987,182
LOSS FROM OPERATIONS	(683,130)	(1,041,228)	(178,152,189)
OTHER INCOME (EXPENSE)			
Interest (Expense), net	(61,650)	(42,116)	(2,426,657)
Reparation, Impairment and Other (Expense) net	0	(35,530)	(8,541,953)
Change in Derivative Value and Debt Discount	(1,844,571)	(2,381,263)	(1,568,101)
TOTAL OTHER INCOME (EXPENSE)	(1,906,221)	(2,458,909)	(12,536,711)
NET (LOSS)	($2,589,351)	($3,500,137)	$ (190,688,900)
LOSS PER COMMON SHARE, basic and diluted	($0.01)	($0.00)	
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING, basic and diluted	486,056,567	1,025,537,377	

The accompanying notes are an integral part of these consolidated financial statements.

4

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

	For the Six Months ended Ended Dec 31, 2008 As Restated	2009	Date of Inception to Dec 31, 2009 As Restated
REVENUES	$ 51,123	$ 86,375	$ 22,834,993
COSTS AND EXPENSES			
Cost of Sales	0	0	16,424,692
Research and Development (including non-cash stock related charges of $93,600, $0 and $2,503,719 for the six months ended Dec. 31, 2008, 2009 and inception to date respectively)	603,296	1,093,573	61,309,746
General and Administrative (including non-cash stock related charges of $5,511,950, $43,050 and $67,887,964 for the six months ended Dec.31, 2008, 2009 and inception to date respectively)	6,738,985	910,056	119,936,009
Depreciation and Amortization	26,125	12,571	3,316,735
TOTAL COSTS AND EXPENSES	7,368,406	2,016,200	200,987,182
LOSS FROM OPERATIONS	(7,317,283)	(1,929,825)	(178,152,189)
OTHER INCOME (EXPENSE)			
Interest (Expense), net	(100,703)	(722,817)	(2,426,657)
Reparation, Impairment and Other (Expense) net	(198,372)	(31,246)	(8,541,953)
Change in Derivative Value and Debt Discount	(1,290,691)	(1,213,193)	(1,568,101)
TOTAL OTHER INCOME (EXPENSE)	($1,589,766)	($1,967,256)	(12,536,711)
NET (LOSS)	($8,907,049)	($3,897,081)	(190,688,900)
LOSS PER COMMON SHARE, basic and diluted	($0.02)	($0.00)	
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING, basic and diluted	519,217,774	979,929,496	

The accompanying notes are an integral part of these consolidated financial statements.

mPHASE TECHNOLOGIES, INC.
(A Development Stage Company)
Consolidated Statement of Changes in Shareholders' Deficit
For The Six Months Ended December 31, 2009
(unaudited)

	Common Stock					
	Shares	**$.01 Par Value**	**Treasury Stock**	**Additional Paid in Capital**	**Accumulated Deficit**	**Total Shareholders' (Deficit) Equity**
Balance June 30, 2009 (As restated)	870,419,882	$ 8,704,197	$ (7,973)	$ 172,861,427	$ (186,791,819)	$ (5,234,168)
Conversions of Convertible Debentures plus accrued interest	108,506,180	1,085,062	-	595,663	-	1,680,725
Conversions of Accounts Payable	26,666,667	266,667	-	(66,667)	-	200,000
Issuance of common stock in private placements net of offering cost ($20,000)	26,666,667	266,667	-	(86,667)	-	180,000
Issuance of Common Stock for Services	2,000,000	20,000		23,050		43,050
Issuance of Common Stock for Reparations	1,700,000	17,000		18,530		35,530
Beneficial Conversion feature of	-	-	-	669,276	-	669,276

Officers' Notes Payable and conversion of accounts payable						
Net Loss for the Six Months Ended December 31, 2009	-	-	-	-	(3,897,081)	(3,897,081)
Balance December 31, 2009 (As restated)	1,035,959,396	$ 10,359,593	$ (7,973)	$ 174,014,612	$ (190,688,900)	$ (6,322,666)

The accompanying notes are an integral part of these consolidated financial statements.

6

mPHASE TECHNOLOGIES, INC.
(A Development Stage Company)
Consolidated Statements of Cash Flows
(unaudited)

	For Six Months Ended		October 2, 1996 (Date of Inception)
	Dec 31, 2008 (As restated)	Dec 31, 2009	To Dec 31, 2009 (As restated)
Cash Flow From Operating Activities:			
Net Income (Loss)	($9,340,349)	($3,897,081)	($190,688,900)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	104,486	18,397	7,418,697
(Gain) loss on debt extinguishments	-	-	(937,370)
Non-cash charges relating to issuance of common stock, common stock options and warrants	5,605,550	43,050	70,260,481
Reparation charges	216,689	35,530	8,264,264
Derivative Value and Debt Discount charges	1,723,991	1,213,193	2,218,252
Write off of Granita Inventory/Sovereign Investment	-		615,910
Other non cash charges including amortization of deferred compensation and beneficial conversion interest expense	-	669,276	2,712,901
Changes in assets and liabilities:			
Accounts receivable	(44,367)	4,240	386,051
Inventories	-	-	(510,471)
Prepaid expenses and Other current assets	90,382	(52,710)	(125,285)
Other		-	906,535
Accounts payable, Accrued expenses, Deferred revenue	154,934	125,936	8,435,817
Due to/from related parties			-
Microphase / Janifast//Lintel	-	(118,045)	5,391,842
Officers and Other	144,072	(17,604)	1,693,753
Net cash used in operating activities	**($1,344,612)**	**($1,975,818)**	**($83,957,523)**
Cash Flow from Investing Activities:			
Payments related to patents and licensing rights	-	-	(450,780)
Purchase of fixed assets	-	(15,000)	(3,302,560)
Investment in Sovereign	-	-	(110,000)
Net Cash (used) in investing activities	**$ 0**	**($15,000)**	**($3,863,340)**
Cash Flow from Financing Activities:			
Proceeds from issuance of common stock, exercises warrants and finders fees, net	180,000	180,000	- 82,878,879
Payments of short term notes and equipment loan		(2,256)	(1,283,808)
Advances from Microphase			347,840
Issuance of Convertible Debentures			266,500

Net Proceeds (Repayment) from notes payable related parties					234,516
Proceeds from collection of notes receivable under securities purchase agreements (note 4)		1,150,000	2,236,000		5,386,000
Sale of minority interest in Granita subsidiary					514,000
Repurchase of treasury stock at cost					-
Net cash provided by financing activities	**$**	**1,330,000**	**$ 2,413,744**	**$**	**88,343,927**
Net increase in cash		**($14,612)**	**$ 422,926**	**$**	**523,064**
CASH AND CASH EQUIVALENTS, beginning of period		15,533	100,138		
CASH AND CASH EQUIVALENTS, end of period	**$**	**921**	**$ 523,064**	**$**	**523,064**

The accompanying notes are an integral part of these consolidated financial statements.

7

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

1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF OPERATIONS - mPhase Technologies, Inc. (the "Company") was organized on October 2, 1996 and is in the development stage, as defined by FASB ASC 915 "Development Stage Entities." The Company's present activities are focused on microfluidics, microelectromechanical systems (MEMS) and nanotechnology. Since mPhase is in the development stage, the accompanying consolidated financial statements should not be regarded as typical for normal operating periods.

BASIS OF PRESENTATION - The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and pursuant to the regulations of the Securities Exchange Commission. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. Operating results for the three and six months ended December 31, 2009 are not necessarily indicative of the results that may be expected for a full fiscal year. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the year ended June 30, 2009.

Through, December 31, 2009 the Company had incurred cumulative (a) development stage losses totaling approximately ($190,688,900) (b) stockholders' deficit of ($6,322,666), and (c) negative cash flow from operations equal to ($83,957,523). At, December 31, 2009, the Company had $523,064 of cash and $50,305 of trade receivables to fund short-term working capital requirements. In addition, the Company relies on the continuation of funding under certain convertible securities agreements (See Note 4) The Company's ability to continue as a going concern and its future success is dependent upon its ability to raise capital in the near term to: (1) satisfy its current obligations, (2) continue its research and development efforts, and (3) allow the successful wide scale development, deployment and marketing of its products.

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

LOSS PER COMMON SHARE, BASIC AND DILUTED - The Company accounts for net loss per common share in accordance with the provisions of ASC 260-10, "EARNINGS PER SHARE" ("EPS"). ASC 260-10 requires the disclosure of the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the entity. Common equivalent shares have been excluded from the computation of diluted EPS for all periods presented since their affect is anti dilutive. At December 31, 2009, the Company's convertible debentures agreements are convertible into approximately 509,043,000 shares of common stock. The officer's notes payable and accrued interest therein are convertible into 195,000,000 shares of common stock, if available.

NEW ACCOUNTING PRONOUNCEMENTS- In June 2008, the Financial Accounting Standards Board (FASB) ratified the final consensuses for ASC 815-40-5 Determining Whether an Instrument (or Embedded Feature) Is Indexed to an Entity s Own Stock (ASC 815-40-5). ASC 815-40-5 became effective for fiscal years beginning after December 15, 2008. The adoption of ASC 915-40-50 did not have a material effect on the Company's results of operations or financial condition. Effective July 1, 2009, the Company adopted the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 105-10, *Generally Accepted Accounting Principles Overall*

(ASC 105-10). ASC 105-10 establishes the *FASB Accounting Standards Codification* (the Codification) as the source of authoritative accounting principles recognized by the FASB to be applied by nongovernmental entities in the preparation of financial statements in conformity with U.S. GAAP. Rules and interpretive releases of the SEC under authority of federal securities laws are also sources of authoritative U.S. GAAP for SEC registrants. All guidance contained in the Codification carries an equal level of authority. The Codification superseded all existing non-SEC accounting and reporting standards. All other non-grandfathered, non-SEC accounting literature not included in the Codification is non-authoritative. The FASB will not issue new standards in the form of Statements, FASB Staff Positions or Emerging Issues Task Force Abstracts. Instead, it will issue Accounting Standards Updates (ASUs). The FASB will not consider ASUs as authoritative in their own right. ASUs will serve only to update the Codification, provide background information about the guidance and provide the bases for conclusions on the change(s) in the Codification. References made to FASB guidance throughout this document have been updated for the Codification.

Effective January 1, 2009, the Company adopted FASB ASC Topic 805, *Business Combinations* (ASC 805). ASC 805 establishes principles and requirements for how the acquirer of a business recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any non-controlling interest in the acquiree. ASC 805 also provides guidance for recognizing and measuring the goodwill acquired in the business combination and determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. ASC 805 also provides guidance for recognizing changes in an acquirer s existing income tax valuation allowances and tax uncertainty accruals that result from a business combination transaction as adjustments to income tax expense. The adoption of ASC 805 did not have an impact on the Company's results of operations or financial condition.

In April 2009, the FASB issued updated guidance related to business combinations, which is included in the Codification in ASC 805-20, *Business Combinations Identifiable Assets, Liabilities and Any Noncontrolling Interest* (ASC 805-20). ASC 805-20 amends and clarifies ASC 805 to address application issues regarding initial recognition and measurement, subsequent measurement and accounting and disclosure of assets and liabilities arising from contingencies in a business combination. In circumstances where the acquisition-date fair value for a contingency cannot be determined during the measurement period and it is concluded that it is probable that an asset or liability exists as of the acquisition date and the amount can be reasonably estimated, a contingency is recognized as of the acquisition date based on the estimated amount. ASC 805-20 is effective for assets or liabilities arising from contingencies in business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. The Company does not believe ASC 805-20 will have a material impact on the Company s future financial statements.

Effective January 1, 2008, the Company adopted FASB ASC 820-10, *Fair Value Measurements and Disclosures Overall* (ASC 820-10) with respect to its financial assets and liabilities. In February 2008, the FASB issued updated guidance related to fair value measurements, which is included in the Codification in ASC 820-10-55, *Fair Value Measurements and Disclosures Overall Implementation Guidance and Illustrations*. The updated guidance provided a one year deferral of the effective date of ASC 820-10 for non-financial assets and non-financial liabilities, except those that are recognized or disclosed in the financial statements at fair value at least annually. Therefore, the Company adopted the provisions of ASC 820-10 for non-financial assets and non-financial liabilities effective January 1, 2009, and such adoption did not have a material impact on the Company s results of operations or financial condition.

Effective April 1, 2009, the Company adopted FASB ASC 820-10-65, *Fair Value Measurements and Disclosures Overall Transition and Open Effective Date Information* (ASC 820-10-65). ASC 820-10-65 provides additional guidance for estimating fair value in accordance with ASC 820-10 when the volume and level of activity for an asset or liability have significantly decreased. ASC 820-10-65 also includes guidance on identifying circumstances that indicate a transaction is not orderly. The adoption of ASC 820-10-65 did not have an impact on the Company s results of operations or financial condition.

Effective April 1, 2009, the Company adopted FASB ASC 825-10-65, *Financial Instruments Overall Transition and Open Effective Date Information* (ASC 825-10-65). ASC 825-10-65 amends ASC 825-10 to require disclosures about fair value of financial instruments in interim financial statements as well as in annual financial statements and also amends ASC 270-10 to require those disclosures in all interim financial statements. The adoption of ASC 825-10-65 did not have a material impact on the Company s results of operations or financial condition.

Effective April 1, 2009, the Company adopted FASB ASC 855-10, *Subsequent Events Overall* (ASC 855-10). ASC 855-10 establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. It requires the disclosure of the date through which an entity has evaluated subsequent events and the basis for that date that is, whether that date represents the date the financial statements were issued or were available to be issued. This disclosure should alert all users of financial statements that an entity has not evaluated subsequent events after that date in the set of financial statements being presented. Adoption of ASC 855-10 did not have a material impact on the Company s results of operations or financial condition.

Effective July 1, 2009, the Company adopted FASB ASU No. 2009-05, *Fair Value Measurements and Disclosures (Topic 820)* (ASU 2009-05). ASU 2009-05 provided amendments to ASC 820-10, *Fair Value Measurements and Disclosures Overall,* for the fair value measurement of liabilities. ASU 2009-05 provides clarification that in circumstances in which a quoted price in an active market for the identical liability is not available, a reporting entity is required to measure fair value using certain techniques. ASU 2009-05 also clarifies that when estimating the fair value of a liability, a reporting entity is not required to include a separate input or adjustment to other inputs relating to the existence of a restriction that prevents the transfer of a liability. ASU 2009-05 also clarifies that both a quoted price in an active market for the identical liability at the measurement date and the quoted price for the identical liability when traded as an asset in an active market when no adjustments to the quoted price of the asset are required are Level 1 fair value measurements. Adoption of ASU 2009-05 did not have a material impact on the Company s results of operations or financial condition.

In October 2009, the FASB issued ASU 2009-13, *Multiple-Deliverable Revenue Arrangements,* (amendments to FASB ASC Topic 605, *Revenue Recognition*) (ASU 2009-13) and ASU 2009-14, *Certain Arrangements That Include Software Elements* , (amendments to FASB ASC Topic 985, *Software*) (ASU 2009-14). ASU 2009-13 requires entities to allocate revenue in an arrangement using estimated selling prices of the delivered goods and services based on a selling price hierarchy. The amendments eliminate the residual method of revenue allocation and require revenue to be allocated using the relative selling price method. ASU 2009-14 removes tangible products from the scope of software revenue guidance and provides guidance on determining whether software deliverables in an arrangement that includes a tangible product are covered by the scope of the software revenue guidance. ASU 2009-13 and ASU 2009-14 should be applied on a prospective basis for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010, with early adoption permitted. The Company does not expect adoption of ASU 2009-13 or ASU 2009-14 to have a material impact on the Company s results of operations or financial condition.

2. SUPPLEMENTAL CASH FLOW INFORMATION

For the six months ended December 31,

		2008		2009
Interest Accrued Unpaid	$	100,703		261,975
Non Cash Investing and Financing Activities:				
Stock issued in settlement of accrued expenses			$	200,000
Conversion of convertible debt	$	1,450,895		
			$	1,680,725
Beneficial Conversion of Officer's Notes and Conversion of Accounts Payable			$	669,276

3. RELATED PARTY TRANSACTIONS

MICROPHASE CORPORATION

mPhase's President, Chief Operating Officer and Chairman of the Board of the Company are also officers of Microphase and mPhase's President and Chairman of the Board is a shareholder of Microphase. On May 1, 1997, the Company entered into an agreement with Microphase, whereby it will use office space as well as the administrative services of Microphase, including the use of accounting personnel. This agreement was for $5,000 per month and was on a month-to-month basis. In July 1998, the office space agreement was revised to $10,000, in January 2000 to $11,050 per month, in July 2001 to $11,340 per month, in July 2002 to $12,200 per month, in January 2003 to $10,000 per month, and in July 2003 to $18,000 per month. Additionally, in July 1998, mPhase entered into an agreement with Microphase, whereby mPhase reimburses Microphase $40,000 per month for technical research and development. In January 2003 the technical research and development agreement was revised to $20,000 per month, and in July 2003 it was further revised to $5,000 per month for technical and research development, $5,000 per month for administrative services and $5,000 per month under the office space agreement. Beginning July 1, 2006, billings for all of the above services were $5,000 per month and were changed to $3,000 in July of 2008. In addition, Microphase also charges fees for specific projects on a project-by-project basis. During the six months ended December 31, 2008 and 2009 and from inception (October 2, 1996), $28,961, $144,846 and $9,520,325, respectively, have been charged to expense.

As a result of the foregoing transactions, as of December 31, 2009, the Company had a payable to Microphase of $112,987.

JANIFAST LTD.

The Company has in the past purchased products and incurs certain research and development expenses with Janifast Ltd., which is owned by U.S. Janifast Holdings, Ltd., a company in which three directors of mPhase are significant shareholders and one is an officer, in connection with the manufacturing of POTS Splitter shelves and component products including cards and filters sold by the Company. In March of 2009 Janifast Ltd. ceased operations owing to adverse financial conditions globally

During the six months ended December 31, 2008 and 2009 and the period from inception (October 2, 1996), $0, $0and $16,031,811 respectively, have been charged by Janifast Ltd to inventory or is included in operating expenses in the accompanying statements of operations.

OTHER RELATED PARTIES

Mr. Abraham Biderman was employed until September 30, 2003 by our former investment-banking firm Lipper & Company On December 31, 2009, Mr. Biderman's affiliated firm of Palladium Capital Advisors was owed unpaid finders fees in the amount of $150,000. During the six months ended December 31, 2009 and December 31, 2008 finders fees in the amount of $20,000 and $0, respectively, were recorded.

Transactions with Officers

At various points during the current quarter and at various points during the past fiscal year the Messrs, Durando, Dotoli and Smiley provided bridge loans to the Company, evidenced by individual promissory notes and deferred compensation so as to provide working capital to the Company. All of the notes are payable on demand.

Total compensation (including the value of stock awards) to related parties and payables to officers are summarized below.

Summary of compensation to related parties for the Six Months Ended December 31, 2009

	Durando	Dotoli	Smiley	Biderman	Microphase	Total
Consulting / Salary	$ 100,000	$ 90,000	$ 87,500			$ 277,500
Interest	$ 34,795	$ 24,797	$ 14,603			$ 74,194
Rent					$ 18,000	$ 18,000
G&A					$ 1,846	$ 1,846
R&D					$ 125,000	$ 125,000
Finders Fees				$ 20,000		$ 20,000
Stock based compensation (shares issued)*						$ 0
Stock based compensation (options issued)*						$ 0
Total compensation	**$ 134,795**	**$ 114,797**	**$ 102,103**	**$ 20,000**	**$ 144,846**	**$ 516,540**

Summary of payables to related parties as of December 31, 2009

	Durando	Dotoli	Smiley	Microphase
Notes payable	$ 527,420	$ 366,306	$ 214,225	
Due to Officers / Affiliates	$ 0	$ 0	$ 0	$ 112,987
Interest Payable	$ 96,268	$ 87,310	$ 24,209	
Total Payable to related parties as of December 31, 2009	**$ 623,688**	**$ 453,616**	**$ 238,434**	**$ 112,987**

Summary of Compensation to related parties for the Six Months Ended December 31,2008

	Durando	Dotoli	Smiley	Biderman	Microphase	Total
Consulting / Salary	$ 165,217 $	128,500 $	93,750			$ 387,467
Interest		$	8,582			$ 8,582
Rent				$	18,000	$ 18,000
G&A				$	10,961	$ 10,961
Finders Fees				$ 20,000		$ 20,000
Stock based compensation (shares issued)*	$ 1,215,000	$ 720,000	$ 450,000	$ 180,000		$ 2,565,000
Stock based compensation (options issued)*	$ 1,350,000	$ 810,000	$ 486,000	$ 54,000		$ 2,700,000
Total compensation	**$ 2,730,217**	$ **1,658,500**	$ **1,038,332**	**$ 254,000**	$ **28,961**	**$ 5,710,011**
Common stock issued*	27,000,000	16,000,000	10,000,000	4,000,000		57,000,000
	50,000,000	30,000,000	18,000,000	2,000,000		100,000,000

Options issued (5years @5 cents)

12

Summary of payables to related parties as of December 31, 2008

	Durando	Dotoli	Smiley	Microphase	Janifast	Total
Notes payable	$ 17,000	$ 23,000	$ 229,826			$ 269,826
Deferred Compensation	$ 278,000	$ 323,500				$ 601,500
Due to Officers / Affiliates	$ 327,707	$ 114,256		$ 56,990	($19,336)	$ 479,617
Interest Payable			$ 27,334			