

MPHASE TECHNOLOGIES INC  
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## PROSPECTUS

You should read this Prospectus Summary together with the more detailed information contained in this prospectus, including the risk factors and financial statements. This prospectus contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those discussed in the forward-looking statements. Factors that may cause such a difference include those discussed in the Risk Factors section and elsewhere in this prospectus.

mPhase Technologies, Inc.

465,076,471 Shares of Common Stock

This prospectus relates to the resale of up to 465,076,471 shares (the "Common Stock") of Common Stock, par value \$.001 per share, of mPhase Technologies, Inc. ("Company"), a New Jersey Corporation, by the selling stockholders including up to (a) 439,076,471 shares of common stock that may be PUT by the Company to Dutchess Opportunity Fund II, LP ("Dutchess") and resold from time to time under an arrangement known as an "Equity Line." pursuant to the terms of an investment agreement and (b) 26,000,000 of a commitment fee payable to Dutchess by the Company for the Equity Line. This prospectus updates information contained in a Registration Statement covering the Common Stock that was filed by the Company and declared effective by the Securities and Exchange Commission on January 17, 2012. From January 17, 2012 through the date hereof a total of 184,442,2119 shares have been sold by the selling shareholders pursuant to the terms of the Registration Statement and there remains 280,624,352 shares all of which have been allocated to the Equity Line to be sold from time to time pursuant to the terms of this prospectus by Dutchess that is the sole selling stockholder. The Company has received cash proceeds of \$370,909 from January 17, 2012 through the date hereof as a result of periodic PUTS of its common stock to Dutchess under the Equity Line.

The selling stockholder may sell Common Stock from time to time in the principal market on which the stock is traded at the prevailing market price or in negotiated transactions.

We will not receive any proceeds from the offer for sale of Common Stock by Dutchess under the Equity Line. We will, however, receive proceeds from the sale to Dutchess pursuant to the Equity Line. We will pay the expenses of registering all of the foregoing shares.

Investment in the Common Stock involves a high degree of risk. You should consider carefully the risk factors beginning on page 6 of this prospectus before purchasing any of the shares offered by this prospectus.

Our Common Stock is quoted on the Over-the-Counter Bulletin Board and trades under the symbol "XDSL". The last reported sale price of our Common Stock on the Over-the-Counter Bulletin Board on October 30, 2013, was approximately \$.0015 per share.

We may amend or supplement this prospectus from time to time by filing amendments or supplements as required. You should read the entire prospectus and any amendments or supplements carefully before you make your

investment decision.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this Prospectus is November 4, 2013.

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You may only rely on the information contained in this prospectus or that we have referred you to. We have not authorized anyone to provide you with different information. This prospectus does not constitute an offer to sell or a solicitation of an offer to buy any securities other than the Common Stock offered by this prospectus. This prospectus does not constitute an offer to sell or a solicitation of an offer to buy any Common Stock in any circumstances in which such offer or solicitation is unlawful. Neither the delivery of this prospectus nor any sale made in connection with this prospectus shall, under any circumstances, create any implication that there has been no change in our affairs since the date of this prospectus or that the information contained by reference to this prospectus is correct as of any time after its date.

## Prospectus Summary

This summary highlights information contained elsewhere in this prospectus. You should read the entire prospectus carefully; including the section entitled "Risk Factors" before deciding to invest in our Common Stock.

## About Us

mPhase Technologies, Inc., a New Jersey corporation (the "Company", "mPhase", "we", "us", or "our") is a publicly-held New Jersey company founded in 1996 with approximately 23,000 shareholders and approximately 5,761,726,649 shares of Common Stock outstanding as of November 1, 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 and is a development-stage company.

Historically we have had net operating losses each year since our inception

As of June 30, 2013, we had an accumulated deficit of (\$203,691,541) and a stockholder's deficit of (\$5,502,767). We incurred net losses of \$1,140,815 and \$8,786,952 and for the years ended June 30, 2013 and June 30, 2012 respectively. The auditors' report for the fiscal year ended June 30, 2013 includes the statement that "there is substantial doubt of the Company's ability to continue as a going concern".

## Business of the Company

Prior to February of 2004, the Company had been in the telecommunications industry focusing on hardware/software solutions for telephone service providers for the delivery of voice, digital television and high-speed internet, which businesses the Company discontinued in December of 2007.

In February of 2004 the Company engaged the Bell Labs division of Lucent Technologies, Inc. to develop a new type of power cell energy storage device. Taking advantage of a superhydrophobic effect or suspension of a liquid electrolyte on silicon, Bell Labs created for the Company a reserve battery product with a virtually unlimited shelf-life prior to initial activation. This result was achieved by causing the suspension, in droplet form, of liquid electrolyte on a "smart surface" or repellant such as silicon. The phenomenon is based upon the superhydrophobic effect similar to beads of raindrops forming on a leaf in nature. An electronic impulse is used to trigger the process of "electrowetting" or collapse of the droplet and the mixing of the electrolyte, thereby providing a low level source of energy.

The Company's first product is its Smart NanoBattery, a reserve battery having significant potential military applications for providing low energy power-sources needed to power guidance systems on small munitions as well as reserve sources of power needed to back up computer-memory systems. The Smart Battery is only activated upon command by either a g force or magnetic pulse and therefore has a virtually unlimited shelf-life prior to initial activation as a reserve source of energy. The Company believes there is a significant need for energy storage products that can be activated on command and that are guaranteed to generate reserve sources of power for mission-critical activities.

The Company has also developed a second product line designed by and co-branded with Porsche Design Studio, a premiere world-class company specializing in high-end products for the luxury automotive manufacturer. The Company's double barrel illuminator is an emergency flashlight designed primarily as an accessory product for automobiles. The designer flashlight utilizes the Company's new mechanically-activated battery with a shelf life of up to 20 years serving as a backup source of power to its primary batteries. The Company has completed a pilot program of distribution of such flashlight over the internet and has received an initial order for 140 such flashlights to be sold through Porsche Design's Studio's stores located in approximately 100 cities globally. mPhase's research and product

development now focuses on developing “smart surfaces” using materials science engineering, nanotechnology science and the principles of microfluidics and microelectromechanical systems (MEMS). The Company has also engaged Porsche Design Studio to develop an automotive battery jump starter and has received its first sample prototypes of such product. The Company recently announced that a cost reduced version of the automotive battery jump starter is being introduced and is considered a core product of the Company.

The Company develops products for both commercial and military applications. As noted above, the Company's first 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 innovative material is a Smart Surface that can potentially be designed for other innovative products such as self-cleaning applications, water purification/desalination, liquid filtration/separation, and environmental cleanup.

We have developed and maintain a portfolio of patents and patent applications that form the proprietary base for our research and development efforts in the area of “smart surfaces.” We believe that our intellectual property portfolio, which currently includes seven issued patents either directly owned or licensed by the Company and eight filed patent applications in various stages of review, is very strong. Our research and development over the years includes some of the world's leading institutions including Alcatel/Lucent Bell Labs. We believe our technology base, combined with our know-how, provides us with a strong competitive advantage and will facilitate future successful development and commercialization of additional products for use in a variety of potential military and commercial products. mPhase has completed work under a Phase II Small Business Technology Transfer Program (STTR) grant of approximately \$750,000, as part of the Small Business Innovation Research (SBIR) program, from the U.S. Army. Under the grant the Company has continued development of its Smart NanoBattery as a reserve battery for critical mission computer memory. Such reserve battery can be activated by an electronic pulse.

#### About This Offering

##### Equity Line

This Prospectus covers the offer and resale of up to 280,624,352 remaining shares of common stock originally registered as a portion of the 465,076,071 shares under a Registration Statement on Form S-1 declared effective by the Securities and Exchange Commission on January 17, 2012. The shares of our common stock will be sold from time to time by Dutchess Opportunity Fund II LP or “Dutchess” Dutchess has agreed to purchase the 280,624,352 described in this offering of our common stock pursuant to an investment agreement between Dutchess and the Company dated as of November 30, 2011 (the “Investment Agreement”). Subject to the terms and conditions of the Investment Agreement, the Company has the right to PUT up to \$10,000,000 of our common stock to Dutchess. This arrangement is sometimes referred to as an Equity Line. For more information on the selling stockholder, please see the section of this prospectus entitled “Selling Shareholder” We will not receive any proceeds from the resale of these shares of common stock offered by Dutchess. We will, however, receive proceeds from the sale of shares to Dutchess pursuant to the Equity Line. When the Company puts an amount of shares to Dutchess, the per share purchase price that Dutchess will pay to us in respect of such put will be determined in accordance with a formula set forth in the Investment Agreement. Generally, in respect of each put, Dutchess will pay us a per share purchase price of ninety-four per cent (94%) of the lowest daily volume weighted average price of our common stock during the ten (10) consecutive trading day period beginning on the trading day of the day of the put notice.

Dutchess may sell the shares of common stock from time to time at the prevailing market price on the Over-the-Counter (OTC) Bulletin Board. Dutchess is deemed an “underwriter” within the meaning of the Securities Act of 1933, as amended in connection with the resale of our common stock under the Equity Line.

The Company currently has reduced its cash needs to approximately \$75,000 per month. The Company is only permitted under the Equity Line to “Put” 20,000,000 shares during any pricing period which is a 10 day trading period. At a current price of \$.0015 per share the Company could raise \$ 30,000 for a current Put. The Company believes that it will be able to exercise, based upon current market conditions, at least one Put per month to Dutchess and intends to

supplement its other cash needs currently through its traditional sources of financing including private placements of its common stock and the issuance of additional convertible securities. The \$10,000,000 equity line commitment is binding for three years from the original effective date (January 17, 2012) of this Registration Statement. Given the current price and volatility of the Company's common stock, it is not possible to predict how much of the equity line will, in fact, be needed and accessed by the Company over the next three year period to supplement the Company's other methods of raising capital.

From January 17, 2012 through October 29, 2013 the Company has sold a total of 134,000,000 shares of its common stock under the Equity Line and raised a total of \$370,909 leaving a remaining amount of \$9,629,091 under the Equity Line. Based upon our stock price of October 29, 2013 of \$.0015 per share and the 6% discount Dutchess would have a conversion price of approximately \$.0014 per share that would require the issuance of 6,877,922,143 additional shares of common stock by the Company in order to raise the total amount of \$10,000,000 under the Equity Line. As of October 30, 2013 the Company has a total of 5,761,726,649 shares of common stock, 0 options and 0 warrants outstanding. In addition approximately 158,000,000 shares are reserved for Convertible Securities currently outstanding, based upon the Company's stock price of \$.0015 on that date. This results in a fully diluted amount of 5,919,726,649 shares. Since the Company has approximately 238,273,351 unissued shares out of 6 billion authorized shares, the Company, as of October 30, 2013, has only enough shares to draw approximately 1.2% or \$112,380 of the Equity Line. The Company will need to obtain the consent of its shareholders through a proxy solicitation on Schedule 14A in order to increase its authorized shares of common stock. At this time the Company is seeking additional equity funding to pay for the cost of such Proxy Solicitation estimated to be not less than \$50,000.

The likelihood of receiving the full \$10,000,000 is based upon the Company's stock price being at .0714 per share or greater during significant periods of time during the next three year period based upon the current capital structure of the Company. The Company has, in the past several years, had significant trading volume as compared to other stocks of comparable price. In addition the PUT option is within the control of the Company so that it can choose the most advantageous price and volume history for any given PUT option exercise to mitigate the risk of not being able to draw the full \$10,000,000.

The full discounted price when adding the commitment fee number of 26,000,000 shares to 4,012,121,250 shares (representing the 6% discount) is 4,038,121,250 shares which equates to approximately \$.0025 per share with respect to shares sold from January 17, 2017 through the date hereof.

#### Estimated use of proceeds

This prospectus relates to shares of our Common Stock that may be offered and sold from time to time under the Equity Line. As noted above we will receive proceeds in connection with the sale of shares to Dutchess under the Equity Line. All proceeds received will be used by the Company as additional working capital.

#### Summary of Shares offered by the Selling Shareholder.

The following is a summary of the Shares being offered by each of the Selling Shareholder:

Common Stock to be offered by Equity Line Provider is up to 26,000,000 shares issued by the Company as a Commitment Fee and a total of 134,000,000 shares sold and 254,634,352 shares to be sold by Dutchess ('Selling Shareholder'). Under the terms of the Investment Agreement dated as of November 30, 2011 with Dutchess the Company may put on a given PUT date up to 20 million shares of its common stock at a price equal to 94% of the lowest Variable Weighted Average Price ("VWAP"), of our common stock in the 10 consecutive trading days following exercise of the Put. Under the terms of the Investment Agreement the Company may not exercise another PUT until up to 15 days following the exercise of the Company exercising the immediately preceding Put.

Common Stock outstanding prior to the remainder of the offering: equal 5,761,726,649 based upon the total amount of shares issued as of October 30, 2013.





Common Stock outstanding after the offering: 12,639,648,792 shares including payment of Commitment Shares and Exercise of the full Equity Line .

Common stock sold under the Equity Line from commencement of the offering on January 17, 2017 through the date hereof equals 134,000,000 shares generating proceeds to the Company of \$370,909.

Common stock converted under a Convertible Note that was included in the original registration statement effective January 17, 2012 and sold by John Fife between January 17, 2012 and May 30, 2013 equals 50,442,119 shares in which the Company received \$0 in proceeds.

Use of Proceeds: We will receive from time to time proceeds from the sale of our common stock to Dutchess under the Equity Line. All proceeds will be used to provide additional working capital to the Company.

## RISK FACTORS

An investment in the Company's Common Stock involves a high degree of risk. You should carefully consider the risks described below as well as other information provided to you in this prospectus, including information in the section of this document entitled "Forward Looking Statements." If any of the following risks actually occur, our business, financial condition or results of operations could be materially adversely affected, the value of our Common Stock could decline, and you may lose all or part of your investment.

### 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 of approximately \$749,000 from inception of development in February 2004 through June 30, 2013. Such revenues have come primarily from a Phase I and Phase II STTR grant from the U.S. army for development of a reserve battery for a computer memory of a weapons control system. We have derived minimal revenues from our Emergency Flashlight product from inception of sales in April of 2010 through June 30, 2013 and have not yet derived any revenue from our automotive battery jump starter product. We have been forced to discontinue product development and marketing of our magnetometer product owing to limited financial resources.

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 significantly 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 expeditiously 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, 2013, we have an accumulated deficit of \$(203,691,541) and a stockholders' deficit of \$(4,895,496) . We incurred net losses of (\$260,634) and \$8,786,954 for the years ended June 30, 2013 and June 30, 2012, respectively. The Company does not generate 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 revenue or 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. 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, the success of our research and field testing, the availability of collaborative partners to finance our work in pursuing applications of “smart surfaces” using materials science engineering, nanotechnology science and the principles of microfluidics and MEMS and technological 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.

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.

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.

#### Financial Risks

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.

We had outstanding, as of June 30, 2013, \$1,748,973 aggregate principal amount plus accrued interest of convertible debt.

There are a large number of shares underlying our convertible debt in full. The sale of these shares may depress the market price of our Common Stock.

As of June 30, 2013, on an aggregated basis our convertible debt financings may result in conversions into 1,011,431,807 shares of our Common Stock, and warrants and options that may be converted into approximately 104,675,000 shares of our 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 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 could face certain regulatory challenges with respect to its reliance on Rule 144 of the Securities Act of 1933, as amended, with respect to certain of its convertible debenture financings entered into with JMJ Financial ("JMJ") that could result in a significant negative economic impact on the Company.

The Company believes that any sales of Common Stock by JMJ are in full compliance with Rule 144 of the Securities Act of 1933, as amended, and has obtained an opinion of outside counsel regarding such compliance. Nevertheless, it is possible such compliance could be challenged in the future by either regulatory agencies or shareholders. In particular, questions regarding the economic risk of JMJ with respect to the collateral required under the secured note delivered by JMJ in payment of the purchase price for the Company's convertible notes could be raised since the

secured notes each contain a prepayment provision allowing JMJ to prepay such note, in full, by returning the convertible note. If a court of law determines that any offer or sale of Common Stock of the Company received in a conversion by JMJ was not in compliance with Rule 144 then JMJ could be deemed to be an underwriter. The result would be that the Company would have been engaged in a primary offering of Common Stock through an underwriter in violation of the registration requirements of the Securities Act of 1933, as amended. The Securities Act of 1933, as amended, requires that any claim for rescission be brought within one year of the violation. The time periods within which claims for rescission must be brought under state securities laws vary and may be two years or more from the date of the violation. At June 30, 2013, 0 shares of our outstanding Common Stock issued in respect of our convertible note transactions with JMJ could be subject to rescission with a potential liability approximating \$0, including a liability of approximately \$0 for interest at 10% per annum under the Federal Securities Laws.

### 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, and to develop our products. The consultants and contract research organizations we engage provide us critical skills and resources that we do not have within our own company. As a result, we depend on these consultants and contract research organizations 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 automotive battery jump starter 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 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 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 Smart Battery 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 Smart Battery and other applications of our technology will depend upon the continuing need for the end user products and market demand.

#### General Risks Relating to Our Business

Our products are likely to be expensive to manufacture, and they may not be profitable if we are unable to control the costs to manufacture them.

Our products are likely to be significantly more expensive to manufacture than most other more developed currently on the market today. Our present manufacturing processes produce modest quantities of product intended for use in our ongoing research activities, and we have not developed processes, procedures and capability to produce commercial volumes of product. We hope to substantially reduce manufacturing costs through process improvements, development of new science, increases in manufacturing scale and outsourcing to experienced manufacturers. If we are not able to make these or other improvements, and depending on the pricing of the product, our profit margins may be significantly less than that of our competitors. In addition, we may not be able to charge a high enough price for any products we develop to make a profit. If we are unable to realize significant profits from our potential product candidates, our business would be materially harmed.

Our current very limited revenue depends on our ability to continue to obtain SBIR, STTR and other Government Grants for Research and Development.



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.

## Risks Relating to Our Common Stock

Stock prices for development-stage technology companies have historically tended to be very volatile.

Stock prices and trading volumes for many small development-stage technology companies fluctuate widely for a number of reasons, including but not limited to the following factors, some of which may be unrelated to their businesses or results of operations:

- The amount of cash resources and ability to obtain additional funding,
- Announcements of research activities, business developments, technological innovations or new products by companies or their competitors,
- Entering into or terminating strategic relationships,
- Disputes concerning patents or proprietary rights,
- Changes in revenues or expense levels,
- Reports by securities analysts,
- Activities of various interest groups or organizations,
- Media coverage, and
- Status of the investment markets.

This market volatility, as well as general domestic or international economic, market and political conditions, could materially and adversely affect the market price of our Common Stock and the return on your investment.

A significant number of shares of our Common Stock have become available for sale and their sale could depress the price of our Common Stock.

In addition to the shares underlying our convertible debt as described above, we may sell a substantial number of additional shares of our Common Stock in connection with a private placement or public offering of shares of our Common Stock (or other series or class of capital stock to be designated in the future). The terms of any such private placement would likely require us to register the resale of any shares of capital stock issued or issuable in the transaction. We have also issued Common Stock to certain parties, such as vendors and service providers, as payment for products and services. Under these arrangements, we may agree to register the shares for resale soon after their issuance. We may also continue to pay for certain goods and services with equity, which would dilute your interest in the company.

Sales of a substantial number of shares of our Common Stock under any of the circumstances described above 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.

We do not intend to pay cash dividends on our Common Stock in the foreseeable future.

Any payment of cash dividends will depend upon our financial condition, results of operations, capital requirements and other factors and will be at the discretion of our board of directors. We do not anticipate paying cash dividends on our Common Stock in the foreseeable future. Furthermore, we may incur additional indebtedness that may severely restrict or prohibit the payment of dividends.

Our Common Stock is subject to "penny stock" regulations and restrictions on initial and secondary broker-dealer sales.

The Securities and Exchange Commission (SEC) has adopted regulations which generally define "penny stock" to be any listed, trading equity security that has a market price less than \$5.00 per share or an exercise price of less than \$5.00 per share, subject to certain exemptions. Penny stocks are subject to certain additional oversight and regulatory requirements. Brokers and dealers affecting transactions in our Common Stock in many circumstances must obtain the written consent of a customer prior to purchasing our Common Stock, must obtain information from the customer and must provide disclosures to the customer. These requirements may restrict the ability of broker-dealers to sell our Common Stock and may affect your ability to sell your shares of our Common Stock in the secondary market.

As an issuer of "penny stock," the protection provided by the federal securities laws relating to forward looking statements does not apply to us.

Although federal securities laws provide a safe harbor for forward-looking statements made by a public company that files reports under the federal securities laws, this safe harbor is not available to issuers of penny stocks. As a result, the Company will not have the benefit of this safe harbor protection in the event of any legal action based upon a claim that the material provided by the Company contained a material misstatement of fact or was misleading in any material respect because of the Company's failure to include any statements necessary to make the statements not misleading. Such an action could hurt our financial condition.

#### Risks Related to This Offering

There are substantial risks associated with the Investment Agreement, which could contribute to the decline of the price of our common stock and have a dilutive impact on our existing stockholders.

In order to have access to capital when needed, we entered into the Investment Agreement with Dutchess. The terms of the Investment Agreement are described under the section captioned "Selling Stockholder." The sale of our common stock pursuant to the terms of the Investment Agreement will have a dilutive impact on our existing stockholders. Dutchess is not restricted in its ability to resell the shares we issue to them, and any such resale could cause the market price of our common stock to decline. Following any decline in the market price of our common stock, any subsequent advances would require us to issue a greater number of shares of common stock in exchange for each dollar advanced. Although Dutchess is limited to owning 4.99% of our common stock at any point in time it can sell a portion of its holding during any point in time and receive additional shares. Under these circumstances our existing stockholders would experience greater dilution. The sale of our common stock under the Investment Agreement could encourage short sales by third parties, which could contribute to the further decline of our stock price.

Dutchess intends to engage in certain hedging transactions that may cause the market price of our common stock to decline.

In connection with the distribution of our common stock or otherwise, including upon receipt of any put notice from us, Dutchess intends to enter into certain hedging transactions with broker-dealers or other financial institutions, pursuant to which such broker-dealers or other financial institutions will engage in sales of our shares in the course of hedging the positions they assume with Dutchess. If there is an imbalance on the sell side of the market in our common stock, the price of our common stock will decline. Dutchess has no intention of, and is contractually prohibited from, entering into any short sales during the term of the Investment Agreement.



Pursuant to the terms of the Investment Agreement, Dutchess will pay less than the then-prevailing market price for our common stock.

The common stock to be issued to Dutchess pursuant to the Investment Agreement will be purchased at 94 % of the lowest daily trading price of our common stock during the ten consecutive trading days after the date we request the advance. Dutchess has a financial incentive to sell our common stock upon receiving the shares to realize the profit equal to the difference between the discounted price and the market price. If Dutchess sells the shares, the price of our common stock could decrease.

We may not be able to access sufficient funds pursuant to the terms of the Investment Agreement.

Our ability to put shares to Dutchess and obtain funds pursuant to the terms of the Investment Agreement is limited, including restrictions on when we may exercise our put rights, restrictions on the amount we may put to Dutchess at any one time, which is determined in part by the trading price of our common stock, and a limitation on Dutchess' obligation to purchase if such purchase would result in Dutchess beneficially owning more than 4.99% of our common stock. Accordingly, we may not be able to access sufficient funds when needed."

We would have to increase our authorized shares of common stock to approximately 13 billion shares from the current 6 billion shares to have enough shares to exercise the full equity line

In order to exercise the entire equity line of \$10 million, the Company would be required to issue 6,877,922,143 additional shares of its common stock to Dutchess as of October 30, 2013. This would equal approximately 119% of our common stock currently outstanding of approximately 5,761,726,649 shares and would require the Company to obtain shareholder approval for in excess of 13 billion authorized shares of common stock resulting in significant dilution.

Our stock price is currently too low to allow us full use of the equity line

Based upon the current capital structure of the Company there are 80,273,351 shares of common stock available for issuance as of October 30, 2013. This will enable the Company to access up to \$112,380 of the \$10 million equity line. In order for the Company to access the full \$10 million of the equity line over the next three years the price of the Common Stock would need to equal \$.0015 or greater for substantial periods of time during such period. In addition the liquidity or trading volume of the Company's common stock would have to be sufficient to accommodate the sale in the open market of shares purchased by Dutchess.

There Are further conditions to the equity line that the Company may not be able to meet

In addition, in order for the Company to draw monies under the Equity Line it must satisfy the following conditions set forth in Section 2D of the Investment Agreement.

Notwithstanding anything to the contrary in this Agreement, the Company shall not be entitled to deliver a Put Notice and the Investor shall not be obligated to purchase any Shares at a Closing unless each of the following conditions are satisfied:

(1) a Registration Statement shall have been declared effective and shall remain effective and available for the resale of all the Registrable Securities (as defined in the Registration Rights Agreement) at all times until the Closing with respect to the subject Put Notice;



(2) at all times during the period beginning on the related Put Notice Date and ending on and including the related Closing Date, the Common Stock shall have been listed on the Principal Market and shall not have been suspended from trading thereon for a period of two (2) consecutive Trading Days during the Open Period and the Company shall not have been notified of any pending or threatened proceeding or other action to suspend the trading of the Common Stock;

- (3) the Company has complied with its obligations and is otherwise not in breach of or in default under this Agreement, the Registration Rights Agreement or any other agreement executed in connection herewith which has not been cured prior to delivery of the Put Notice;
- (4) no injunction shall have been issued and remain in force, or action commenced by a governmental authority which has not been stayed or abandoned, prohibiting the purchase or the issuance of the Securities; and
- (5) the issuance of the Securities pursuant to this Agreement will not violate any shareholder approval requirements of the Principal Market.”

If any of the events described in clauses (1) through (5) above occurs during a Pricing Period, then the Investor shall have no obligation to purchase the Common Stock subject to the applicable Put Notice.

The equity line, if accessed by the Company for the remaining 280,624,352 will cause significant dilution to existing shareholders as illustrated by the following table.

Percent of Offering Sold	100	%	75	%	50	%	10	%
Net Tangible Book Value Per Share before Stock Sale	\$(0.00077 )		\$(0.00077 )		\$(0.00077 )		\$(0.00077 )	
Pro Forma Net Tangible Book Value Per Share After Stock Sale	\$(0.00067 )		\$(0.00069 )		(0.00072 )		\$(0.00076 )	
Increase in Net Book Value due to stock sale	\$0.00010		0.00008		0.00005		0.00001	
Net Dilution (Purchase Price of \$.0015 less Pro Forma Net Tangible Book Value per share)	\$0.00217		\$0.00219		5 0.00222		\$0.00226	

#### SELLING SECURITY HOLDERS

The following table details the name of each selling stockholder, the number of shares owned by that selling stockholder, and the number of shares that may be offered by each selling stockholder for resale under this prospectus. The selling stockholders may sell up to 465,076,471 shares of our Common Stock from time to time, as available, in one or more offerings under this prospectus. Because each selling stockholder may offer all, some or none of the shares it holds, and because, based upon information provided to us, there are currently no agreements, arrangements, or understandings with respect to the sale of any of the shares, no definitive estimate as to the number of shares that will be held by each selling stockholder after the offering can be provided. The following table has been prepared on the assumption that all shares offered under this prospectus will be sold to parties unaffiliated with the selling stockholders.

Security Holder	Relationship to Issuer	Amount Owned Prior to Offering	Amount Offered	Amount Owned After Offering
Dutchess Opportunity Fund II, LP Commitment and Transaction Fee	None	26,000,000	26,000,000	0
Dutchess Opportunity Fund II, LP - Put feature of Equity Line	None	0	280,624,352	0

\* Less than 1%.

(1) The number and percentage of shares beneficially owned is determined in accordance with Rule 13d-3 of the Securities Exchange Act of 1934, as amended, and the information is not necessarily indicative of beneficial

ownership for any other purpose. Under such rule, beneficial ownership includes any shares as to which the selling stockholders has sole or shared voting power or investment power and also any shares, which the selling stockholders has the right to acquire within 60 days. As of October 30, 2013, the Company had 5,761,726,649 shares of Common Stock issued and outstanding.

(2) Assumes the sale of all shares included in this prospectus.

3) Dutchess Opportunity Fund II, LP will not beneficially own any shares of common stock other than shares issued to the Company to cover commitment fees and transaction costs unless and until the Company exercises a put under the Equity Line. Dutchess Opportunity Fund II, LP is managed by its Senior Partners, Dutchess Capital Management II, LLC which Douglas Leighton and Michael A. Movelli have despositive power.

#### FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that involve risks and uncertainties. We use words such as “may,” “assumes,” “forecasts,” “positions,” “predicts,” “strategy,” “will,” “expects,” “estimates,” “anticipates,” “believes,” “projects,” “budgets,” “potential,” “continue” and variations thereof, and other statements contained in this prospectus, regarding matters that are not historical facts and are forward-looking statements. Because these statements involve risks and uncertainties, as well as certain assumptions, actual results may differ materially from those expressed or implied by such forward-looking statements. Factors that could cause actual results to differ materially include, but are not limited to risks inherent in: our early stage of development, including a lack of operating history, lack of profitable operations and the need for additional capital; the development and commercialization of largely novel and unproven technologies and products; our ability to protect, maintain and defend our intellectual property rights; uncertainties regarding our ability to obtain the capital resources needed to continue research and development operations and to conduct research; uncertainty regarding our overall ability to compete effectively in a highly complex, rapidly developing, capital intensive and competitive industry. See “Risk Factors” set forth herein for a more complete discussion of these factors. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date that they are made. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Forward-looking statements include our plans and objectives for future operations, including plans and objectives relating to our products and our future economic performance. Assumptions relating to the foregoing involve judgments with respect to, among other things, future economic, competitive and market conditions, future business decisions, and the time and money required to successfully complete development and commercialization of our technologies, all of which are difficult or impossible to predict accurately and many of which are beyond our control. Although we believe that the assumptions underlying the forward-looking statements contained herein are reasonable, any of those assumptions could prove inaccurate and, therefore, we cannot assure you that the results contemplated in any of the forward-looking statements contained herein will be realized. Based on the significant uncertainties inherent in the forward-looking statements included herein, the inclusion of any such statement should not be regarded as a representation by us or any other person that our objectives or plans will be achieved.

#### USE OF PROCEEDS

We will receive no proceeds from the sale of shares of Common Stock offered by the selling stockholder. . We will receive proceeds from time to time upon exercise by the Company of the Put under the Equity Line . All proceeds received will be used by the Company as working capital.

#### DETERMINATION OF OFFERING PRICE

The selling stockholder may sell their shares in the over-the-counter market or otherwise, at market prices prevailing at the time of sale, at prices related to the prevailing market price, or at negotiated prices.

#### DILUTION

“Dilution” represents the difference between the offering price per share and the net tangible book value per share of our Common Stock immediately after completion of this offering. Net tangible book value per share represents our net tangible assets (our total assets less our total liabilities), divided by the number of shares of Common Stock outstanding at the time of this offering. Our net tangible book value as of October 30, 2013 is estimated to be (\$4,435,635) or (\$.00077) per share with 5,761,726,649 shares outstanding.. (See Table Page 19)

## PLAN OF DISTRIBUTION

Each selling stockholder and any of its pledges, assignees and successors-in-interest may, from time to time, sell any or all of its shares of Common Stock on the Over-the-Counter Bulletin Board or any other stock exchange, market or trading facility on which our shares are traded or in private transactions. These sales may be at fixed or negotiated prices. A selling stockholder may use any one or more of the following methods when selling shares:

- ordinary brokerage transactions and transactions in which the broker-dealer solicits purchasers;
- block trades in which the broker-dealer will attempt to sell the shares as agent but may position and resell a portion of the block as principal to facilitate the transaction;
- purchases by a broker-dealer as principal and resale by the broker-dealer for its account;
- an exchange distribution in accordance with the rules of the applicable exchange;
- privately negotiated transactions;
- settlement of short sales entered into after the effective date of the registration statement of which this prospectus is a part;
- broker-dealers may agree with the selling stockholders to sell a specified number of such shares at a stipulated price per share;
- through the writing or settlement of options or other hedging transactions, whether through an options exchange or otherwise;
- a combination of any such methods of sale; or
- any other method permitted pursuant to applicable law.

The selling stockholders may also sell shares under Rule 144 under the Securities Act of 1933, as amended, if available, rather than under this prospectus.

A selling stockholder or its pledges, donees, transferees or other successors in interest, may also sell the shares directly to market makers acting as principals and/or broker-dealers acting as agents for themselves or their customers. Such broker-dealers may receive compensation in the form of discounts, concessions or commissions from the selling stockholder and/or the purchasers of shares for whom such broker-dealers may act as agents or to whom they sell as principal or both, which compensation as to a particular broker-dealer might be in excess of customary commissions. Market makers and block purchasers purchasing the shares will do so for their own account and at their own risk. It is possible that a selling stockholder will attempt to sell shares of Common Stock in block transactions to market makers or other purchasers at a price per share which may be below the then market price. A selling stockholder cannot assure that all or any of the shares offered in this prospectus will be issued to, or sold by, the selling stockholder. The selling stockholders and any brokers, dealers or agents, upon effecting the sale of any of the shares offered in this prospectus, may be deemed to be "underwriters" as that term is defined under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, or the rules and regulations under such acts. In such event, any commissions received by such broker-dealers or agents and any profit on the resale of the shares purchased by them may be deemed to be underwriting commissions or discounts under the Securities Act.

We are required to pay all fees and expenses incident to the registration of the shares, including fees and disbursements of counsel to the selling stockholder, but excluding brokerage commissions or underwriter discounts.

The selling stockholders, alternatively, may sell all or any part of the shares offered in this prospectus through an underwriter. No selling stockholder has entered into any agreement with a prospective underwriter and there is no assurance that any such agreement will be entered into.

A selling stockholder may pledge its shares to their brokers under the margin provisions of customer agreements. If a selling stockholder defaults on a margin loan, the broker may, from time to time, offer and sell the pledged shares. The selling stockholder and any other persons participating in the sale or distribution of the shares will be subject to applicable provisions of the Securities Exchange Act of 1934, as amended, and the rules and regulations under such act, including, without limitation, Regulation M. These provisions may restrict certain activities of, and limit the timing of purchases and sales of any of the shares by, the selling stockholder or any other such person. In the event that the selling stockholder is deemed affiliated with purchasers or distribution participants within the meaning of Regulation M, then the selling stockholder will not be permitted to engage in short sales of Common Stock. Furthermore, under Regulation M, persons engaged in a distribution of securities are prohibited from simultaneously engaging in market making and certain other activities with respect to such securities for a specified period of time prior to the commencement of such distributions, subject to specified exceptions or exemptions. Not only is the selling stockholder contractually restricted from engaging in short sales but in the event any such short sale is deemed to be a stabilizing activity, then the selling stockholder will not be permitted to engage in a short sale of our Common Stock. All of these limitations may affect the marketability of the shares.

If the selling stockholder notifies us that it has a material arrangement with a broker-dealer for the resale of the Common Stock, then we would be required to amend the registration statement of which this prospectus is a part, and file a prospectus supplement to describe the agreements between the selling stockholder and the broker-dealer.

#### DESCRIPTION OF SECURITIES TO BE REGISTERED

This prospectus includes 280,624,352 shares of our Common Stock offered by the selling stockholder which constitutes approximately 4.8% of our currently outstanding Common Stock. The following description of our Common Stock is only a summary. You should also refer to our certificate of incorporation and bylaws, which have been filed as exhibits to the registration statement of which this prospectus forms a part.

We are authorized to issue 6,000,000,000 shares of Common Stock having a par value of \$0.001 per share. Holders of Common Stock are entitled to one vote for each share held on all matters submitted to a vote of stockholders and do not have cumulative voting rights. Accordingly, holders of a majority of the shares of Common Stock entitled to vote in any election of directors may elect all of the directors standing for election. Holders of Common Stock are entitled to receive proportionately any dividends as may be declared by our board of directors. Our outstanding shares of Common Stock are fully paid and non-assessable. Holders of shares of Common Stock have no conversion, preemptive or other subscription rights, and there are no redemption or sinking fund provisions applicable to the Common Stock.

## INTERESTS OF NAMED EXPERTS AND COUNSEL

The validity of the shares offered hereby will be passed upon for us by Martin Smiley, Esq., EVP, CFO and General Counsel of the Company. With this exception, no expert or counsel named in this prospectus as having prepared or certified any part of this prospectus or having given an opinion upon the validity of the securities being registered or upon other legal matters in connection with the registration or offering of the Common Stock was employed on a contingency basis, or had, or is to receive, in connection with the offering, a substantial interest, direct or indirect, in the Company. Nor was any such person connected with the Company as a promoter, managing or principal underwriter, voting trustee, director, officer or employee.

## DESCRIPTION OF BUSINESS

### Overview

mPhase, a New Jersey corporation founded in 1996, is a publicly-held company with over 23,000 shareholders and ————5,761,726,649 shares of Common Stock outstanding as of October 30, 2013. The Company's Common Stock is traded on the Over the Counter Bulletin Board under the ticker symbol XDSSL. We are headquartered in Norwalk, Connecticut and also have corporate offices in Little Falls, NJ. mPhase shares office space with Microphase Corporation, a privately held company. Microphase is a leader in the field of radio frequency and filtering technologies within the defense and telecommunications industry. It has been in operation for over 50 years and supports mPhase with both engineering and administrative and financial resources as needed. mPhase is a development stage company specializing in microfluidics, microelectromechanical systems (MEMS) and nanotechnology. mPhase is commercializing its first nanotechnology-enabled product for military and commercial applications - The Smart NanoBattery providing Power On Command™. The new patented and patent pending 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 self-cleaning applications, water purification/desalination, liquid filtration/separation, and environmental cleanup. mPhase has completed 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.

Since our inception in 1996, we have been a development-stage company and operating activities have related primarily to research and development, establishing third-party manufacturing relationships and developing product brand recognition. In December of 2007 the Company ceased further activities with respect to its prior telecommunications equipment products which have been treated as a Discontinued Business effective June 30, 2010. Since January of 2008, the Company has focused primarily upon development of our smart reserve battery, and other battery and illuminator products as well as establishing a patent portfolio of intellectual property for “smart surfaces” in the field of nanotechnology.

### Description of Operations

#### Microfluidics, MEMS, and Nanotechnology

In February of 2004, mPhase entered the business of 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. Consider water as the liquid. Through electrowetting, mPhase can change a surface from what is referred to as a hydrophobic ("water repelling") state to a hydrophilic ("water attracting") state. In the hydrophobic state, the water beads up or is repelled by the surface. In the hydrophilic state, the water spreads out or is absorbed by the surface. The ability to electronically control the wetting characteristics of a surface at the nanometer scale forms the basis 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 superhydrophobic 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 this 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 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 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 began its efforts by entering into a \$1.2 million 12 month Development Agreement 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). The Company extended its development effort twice for an additional two years 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 Transfer grant.

The Company decided in September of 2007 to transfer its development work out of Bell Labs (Alcatel/Lucent) in order to broaden its nanotechnology product commercialization efforts. Prior to such time mPhase was limited to development using zinc-based batteries since Bell Labs did not have facilities to handle lithium chemistry. mPhase continued to work with Rutgers ESRG that has facilities capable of handling lithium battery development and also engaged in work with other companies to supply essential components, fabricate prototypes, and plan manufacturing approaches. These companies included a well-respected silicon foundry and battery manufacturer.

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 U.S. Army 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 enabled 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 its 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 RFID 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 that it is a significant milestone in moving from a low energy density zinc-based battery to a higher energy density lithium-based battery towards proving that the Smart NanoBattery will eventually be 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 completed this Phase II Army grant in the fall of 2010. 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

## Emergency Flashlight

On December 5, 2008, mPhase Technologies, Inc. signed a contract with Porsche Design Gesellschaft m.b.H. in Austria (“Porsche Design Studio”) to design a premium version of the AlwaysReady Emergency Flashlight. A pilot program that began in March of 2010 has resulted in the sale of approximately 56 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.

On January 29, 2009, the Company announced that it had contracted with EaglePicher Technologies to design and manufacture, in small quantities, its mechanically-activated battery that were used in the pilot program of sales of the Company’s new 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.

The reserve battery is a manually activated lithium cell designed to provide Power On Command. 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. The Company has been seeking high-end products distributors with which to establish a licensing or distribution agreements in order to maximize potential revenue associated with the product. 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 product has generated minimal revenues to date and the Company no longer is focused upon it as a core strategic product.

## mPower Jump

The Company has developed with Porsche Design Studio and Porsche Engineering of a second consumer product that is portable rechargeable jump starter designed to start a dead automotive battery. The Company has received its first prototype of the product. The Company recently announced a new cost-reduced version of this product designed for the mass market which is being introduced in November of 2013 as a core product of the Company..

## Patents and Trademarks

### Our Intellectual Property

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.

#### Employees

As of June 30, 2013, we had five full-time employees. All of the employees are engaged in business development and administration. We also use the services of numerous outside consultants in business and scientific matters. We believe that we have good relations with our employees and consultants.

#### Competition

The nanotechnology and battery industries are characterized by rapidly evolving technology and intense competition. Our competitors include major multinational companies, specialty nanotechnology companies and energy storage products companies. 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 and begin commercial sales of their products before we do.

#### Research and Development

Research and development expenses have consisted principally of direct labor and payments made to MKE manufacturing (an approved vendor of Porsche), Porsche Design Studio and Microphase Corporation in connection with the Company's Emergency Illuminator product and to Silex, a foundry located in Sweden, as well as other third party vendors involved in the development of the nanotechnology products.

Research and Development. Research and development expenses were \$125,982 for the year ended June 30, 2013 as compared to \$53,374 in the year ended June 30, 2012, an increase of \$72,608. Such increase is attributable to development expense incurred with respect to the Company's new mPower Jump product.

#### DESCRIPTION OF PROPERTY

Our headquarters are located in Norwalk, Connecticut where we lease office space from Microphase Corporation. As of July 1, 2012, the lease for this office is month to month at a monthly cost of \$993 (\$11,916 annually). The Company also leases corporate office space in East Rutherford, New Jersey. The monthly rent for this property is \$1,510 per month (\$18,120 annually) and the lease term is likewise month to month.

#### LEGAL PROCEEDINGS

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 Triggering Events included alleged defaults with respects 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. A lawsuit was commenced in late November in the Federal District Court, Northern District of Illinois Eastern Division by Fife against the Company alleging breach of contract and other actions in connection

with the 8% Convertible Note.

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On February 26, 2013, mPhase Technologies, Inc. (the “Company”) filed its Answer to a lawsuit filed by John Fife against the Company. In the Answer the Company has asserted various affirmative defenses and counterclaims against Mr. Fife, including but not limited to claims for significant monetary damages caused to the Company’s common stock as a result of Mr. Fife’s failure to disclose a prior Consent Decree entered into between Mr. Fife and the Securities and Exchange Commission. The Company is not able to predict the outcome of such litigation but intends to pursue all of its rights and remedies vigorously under the Federal Securities Laws.

## MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### Forward Looking Statements

This prospectus contains forward-looking statements that involve risks and uncertainties. We use words such as “may,” “assumes,” “forecasts,” “positions,” “predicts,” “strategy,” “will,” “expects,” “estimates,” “anticipates,” “believes,” “projects,” “budgets,” “potential,” “continue” and variations thereof, and other statements contained in this prospectus, regarding matters that are not historical facts and are forward-looking statements. Because these statements involve risks and uncertainties, as well as certain assumptions, actual results may differ materially from those expressed or implied by such forward-looking statements. Factors that could cause actual results to differ materially include, but are not limited to risks inherent in: our early stage of development, including a lack of operating history, lack of profitable operations and the need for additional capital; the development and commercialization of largely novel and unproven technologies and products; our ability to protect, maintain and defend our intellectual property rights; uncertainties regarding our ability to obtain the capital resources needed to continue research and development operations; uncertainty regarding our overall ability to compete effectively in a highly complex, rapidly developing, [capital intensive] and competitive industry. See “Risk Factors” set forth herein for a more complete discussion of these factors. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date that they are made. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Forward-looking statements include our plans and objectives for future operations, including plans and objectives relating to our products and our future economic performance. Assumptions relating to the foregoing involve judgments with respect to, among other things, future economic, competitive and market conditions, future business decisions, and the time and money required to successfully complete development and commercialization of our technologies, all of which are difficult or impossible to predict accurately and many of which are beyond our control. Although we believe that the assumptions underlying the forward-looking statements contained herein are reasonable, any of those assumptions could prove inaccurate and, therefore, we cannot assure you that the results contemplated in any of the forward-looking statements contained herein will be realized. Based on the significant uncertainties inherent in the forward-looking statements included herein, the inclusion of any such statement should not be regarded as a representation by us or any other person that our objectives or plans will be achieved.

### OVERVIEW

The following discussion should be read in conjunction with the financial statements and notes thereto included in this prospectus.

We are a nanotechnology company focused on developing and commercializing reserve batteries and other products with “smart surfaces” in the emerging fields of micro fluid dynamics and nanotechnology. We also develop commercial products with Porsche Design Studio as luxury consumer products and accessories that are targeted for affluent consumers and automobile enthusiasts. In addition we have developed a cost-reduced version of the automotive jump starter.



## Plan of Operations

While we continue to pursue research and development in connection with our work on smart surfaces, we are increasingly focused on the identification and development of product candidates utilizing our technology in both commercial and military arenas. We do not, however, expect to generate revenue sufficient to cover our expenses for the foreseeable future and expect to continue to fund our operations primarily from outside capital investment, convertible debt financings and private placements.

The Company is seeking to identify strategic partners with significant financial resources through the current valuation of its patent portfolio. The Company believes that its patents as well as its development efforts in the scientific area of microfluidics and "smart surfaces" may provide compelling solutions as part of products and strategies of other companies in the area of energy storage and conservation. The Company intends to aggressively market the mPower Jump It product and sell it in volumes greater than that of the luxury goods product that was designed by Porsche Design Studio and Porsche Design Studio for the Company .

## Critical Accounting Policies

### RESEARCH AND DEVELOPMENT

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

### OPTIONS, WARRANTS AND OTHER CONVERTIBLE EQUITY INSTRUMENTS

### STOCK BASED COMPENSATION

On July 1, 2005, the Company adopted the provisions of Financial Accounting Standards Board Statement "Accounting for Stock Based Compensation". The currently promulgated standards require companies to measure and recognize compensation expense for all employee stock-based payments at fair value over the service period underlying the arrangement. Therefore, the Company is now required to record the grant-date fair value of its stock-based payments (i.e., stock options and other equity-based compensation) in the statement of operations. The fair value of options granted in fiscal year ended June 30, 2009 was estimated as of the date of grant using the Black-Scholes stock option pricing model, based on the following weighted average assumptions: annual expected return of 0%, an average life of 5 years, annual volatility of 80.3% and a risk-free interest rate 3.0% .

### MATERIAL EQUITY INSTRUMENTS

The Company has material equity instruments including convertible debentures and convertible notes that are accounted for as derivative liabilities (SEE BELOW) and options and warrants that are evaluated quarterly for potential reclassification as liabilities pursuant to FASB codification topic 815 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 EITF 00-19, based upon applying shares available to contracts with the earliest inception date first. During the fiscal year ended June 30, 2008, the Company reclassified contracts for warrants to purchase 12,604,168 shares at fixed prices ranging from \$.13 to \$.15 per share to liabilities.

The liability was recorded at the fair market value, which estimated value, as restated, was based upon the contractual life of the free standing warrants, using the Black-Sholes pricing model, based on the following weighted average assumptions: annual expected return of 0%, an average life of 5 years, annual volatility 81% and a risk-free interest rate 2.25%. At the issuance date of the free standing warrants, which warrants were issued during the fourth quarter of

fiscal June 30, 2008; the estimated value approximated \$1,006,200 and as recalculated on the quarterly measurement dates, at June 30, 2008 the estimated value approximated \$433,300. During fiscal year ended 2009, the estimated value was determined to no longer be material. The net change in the liability was credited to the change in derivative value in the Consolidated Statement of Operations for the fiscal years ended June 30, 2008 and 2009 for \$572,900 and \$433,300, respectively, for each of these periods in accordance FASB Standards Codification Topic 815 (previously known EITF 00-19). Effective May, 2009, warrants to purchase 11,111,112 shares, and effective September, 2009, warrants to purchase 1,493,056 shares; representing all of the contracts for warrants to purchase 12,604,168 shares that were reclassified to liabilities during the fiscal year ended June 30, 2008, were reclassified to permanent equity. Subsequent to September 30, 2009 the Company has not entered into, and presently the Company does not have, any contracts for warrants or other equity instruments subject to reclassification to liabilities as prescribed by FASB Standards Codification Topic 815 (previously known as EITF 00-19).

## 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.

## Results of Operations

## Comparison of Twelve Months Ended June 30, 2013 and 2012

	12 Months Ended June 30, 2013 Amount	12 Months Ended June 30, 2012 Amount
Revenue	\$4,085	\$1,502
Cost of Revenue	15,054	14,520
Gross profit	(10,969 )	(13,018 )
Research and development expenses	125,982	53,374
General and administrative expenses	1,201,966	7,921,189
Non-operating income (expense)	210,141	(789,656 )
Net Income (loss)	\$(1,140,815)	\$(8,791,734)

TWELVE MONTHS ENDED JUNE 30, 2013 VS. JUNE 30, 2012

Revenues. Total revenues for the year ended June 30, 2013 increased from \$ \$1,502 in 2012 to \$4,086. The revenue for the current fiscal year was derived primarily from the sales of the mPower emergency illuminator.

Cost of sales. Cost of sales increased \$574 for the year ended June 30, 2013 to \$15,094. This increase is attributable to sales of our mPower emergency illuminator out of our existing inventory.

Research and Development. Research and development expenses were \$125,982 for the year ended June 30, 2013 as compared to \$53,374 in the year ended June 30, 2012, an increase of \$72,608. Such increase is attributable to development expense incurred with respect to the Company's new mPower Jump product.

General and Administrative Expenses. Selling, general and administrative expenses were \$1,201,966 for the year ended June 30, 2013 compared to \$7,921,189 for the year ended June 30, 2012. a decrease of \$6,719,223. During fiscal year ended June 30, 2012, the Company incurred non-cash charges amounting to \$6,645,300 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 employees 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, 2012. Expenses were reduced across the board, including a reduction in travel expense of \$46,157 and consulting expense of \$22,400.

Other Income and Expense. During the current FYE 2013 non-cash charges included \$92,000 for reparations, and net settlement income of \$953,641. During the prior FYE 2012, non-cash charges included \$0 for reparations, and net settlement income of \$2,782. In addition during FYE 2013, the Company realized a non-cash net gain of approximately \$557,918 compared to a non-cash net loss of \$320,480 in FYE 2012 resulting from the issuance and the changes in the derivative liability values relative to convertible debt. The current FYE 2013 includes a gain resulting from a change in derivative value of \$838,796 offset in part by amortization of debt discount of \$280,878, stock issuance costs and other charges including prepayment fees of \$36,250. This compares to prior FYE 2012 which included a gain resulting from the change in derivative value of \$1,047,148 offset in part by amortization of debt discount, and conversion floor fees and charges amounting to \$1,367,628.

Net loss. mPhase recorded a net loss of \$260,634 for the year ended June 30, 2013 as compared to a loss of \$8,786,952 for the same period ended June 30, 2012. This represents a loss per common share of (\$.0.0 ) in 2013 as compared to \$(.00) in 2012, based upon weighted average common shares outstanding of 4,515,985,122 and 2,789,725,412 during the periods ending June 30, 2013 and June 30, 2012 respectively.

TWELVE MONTHS ENDED JUNE 30, 2012 VS. JUNE 30, 2011

Revenues. Total revenues for the year ended June 30, 2012 decreased from \$ 49,210 in 2011 to \$1,502 in 2012. The revenue for the current fiscal year was derived primarily from payments received by the Company under the Phase II STTR grant from the United States Army and from sales of the mPower emergency illuminator.

Cost of sales. Cost of sales decreased \$35,740 for the year ended June 30, 2012 to \$14,520. In addition, grants and fees received in connection with our Nanotechnology power cell have relatively low associated cost of sales.

Research and Development. Research and development expenses were \$53,374 for the year ended June 30, 2012 as compared to \$625,417 in the year ended June 30, 2011, a decrease of \$572,043. Such decrease is attributable to the Company's completion of both a mechanically-activated reserve battery and emergency flashlight in addition to substantial completion of research on its SmartNanoBattery product.

General and Administrative Expenses. Selling, general and administrative expenses were \$7,921,189 for the year ended June 30, 2012, up from \$1,823,178 for the comparable period in 2011, an increase of \$6,098,011. During fiscal year ended June 30, 2012, the Company incurred non-cash charges amounting to \$6,645,300 for stock based compensation awarded to officers, employees and consultants. During fiscal year ended June 30, 2011, such charges amounted to \$62,945, an increase of \$6,582,355 in fiscal year ended June 30, 2012. This increase was offset, in part, by the reduction of salaries of employees in fiscal year ended June 30, 2012 resulting in lower payroll by approximately \$356,458 as compared to the payroll for fiscal year ended June 30, 2011. Expenses were reduced across the board, including a reduction in travel expense of \$28,211 and consulting expense of \$55,148.

Other Income and Expense. During the current FYE 2012 non-cash charges included \$0 for reparations, and net settlement income of \$2,782. During the prior FYE 2011 non-cash charges included \$0 for reparations, and net settlement income of \$8,915. In addition during FYE 2012, the Company realized a non-cash net loss of approximately \$320,480 compared to a non-cash net gain of \$1,866,669 in FYE 2011 resulting from the issuance and the changes in the derivative liability values relative to convertible debt. The current FYE 2012 includes a gain resulting from a change in derivative value of \$1,047,148 offset in part by amortization of debt discount of \$298,014, stock issuance costs and other charges including conversion floor fees and charges of \$1,069,614. This compares to prior FYE 2011 which includes a gain resulting from the change in derivative value of \$4,068,545 offset in part by amortization of debt discount, stock issuance costs and other charges including a \$55,000 extension and forbearance fee and a \$28,000 intervention fee amounting to \$2,319,318.

Net loss. mPhase recorded a net loss of \$8,786,952 for the year ended June 30, 2012 as compared to a loss of \$486,391 for the same period ended June 30, 2011. This represents a loss per common share of (\$.00 ) in 2012 as compared to \$(.00) in 2011, based upon weighted average common shares outstanding of 2,789,725,412 and 1,402,130,735 during the periods ending June 30, 2012 and June 30, 2011 respectively..

We expect that research and development expenses will continue to increase in the foreseeable future as we add personnel and expand our research for new products. The amount of these increases is difficult to predict due to the uncertainty inherent in the timing and extent of progress in our research programs, and initiation of new products using "smart surfaces". As our research efforts mature, we will continue to review the direction of our research based on an assessment of the value of possible commercial applications emerging from these efforts. Based on this continuing review, we expect to establish discrete research programs and evaluate the cost and potential for cash inflows from commercializing products, partnering with others or licensing the technologies associated with these programs to third parties.

We believe that it is not possible at this stage to provide a meaningful estimate of the total cost to complete our ongoing projects and bring any proposed products to market. Costs to complete could vary substantially depending upon the products selected for development. It is possible that the completion of these products could be delayed for a variety of reasons, including delays in developing prototypes and manufacturing. Any delay in completion of a product would increase the cost of that product, which would harm our results of operations. Due to these uncertainties, we cannot reasonably estimate the size, nature or timing of the costs to complete, or the amount or timing of the net cash inflows from our current activities. Until we obtain information that enables us to further determine the scope, breadth and number of products that are actually developed using "smart surfaces", we will not be able to estimate our future expenses related to these products or when, if ever, and to what extent we will receive material cash inflows from resulting products.

General and Administrative Expenses. Selling, general and administrative expenses were \$1,823,178 for the year ended June 30, 2011, down from \$1,844,776 for the comparable period in 2010, a decrease of \$21,598. During fiscal year ended June 30, 2011, the Company incurred non-cash charges amounting to \$62,945 for stock based compensation awarded to officers, employees and consultants. During fiscal year ended June 30, 2010, such charges amounted to \$34,313, an increase of \$28,632 in fiscal year ended June 30, 2011. This increase was offset by the reduction of salaries of employees in fiscal year ended June 30, 2011 resulting in lower payroll by approximately \$189,000 as compared to the payroll for fiscal year ended June 30, 2010. Expenses were reduced across the board, including a reduction in legal expense of \$52,000 and marketing expense of \$211,000.



Other Income and Expense. The current FYE 2011 reflects non-cash charges of \$0 for reparations, and net settlement income of \$8,915. During the prior FYE 2010, reparation expense amounted to \$35,530 and net settlement income was \$203,940. In addition during FYE 2011, the Company realized a non-cash net gain of approximately \$1,866,669 compared to a non-cash net loss of \$2,961,939 in FYE 2010 resulting from the issuance and the changes in the derivative liability values relative to convertible debt. The current FYE 2011 includes a gain resulting from the change in derivative value of \$3,836,158 offset in part by amortization of debt discount, stock issuance costs and other charges including a \$55,000 extension and forbearance fee and a \$28,000 intervention fee amounting to \$2,319,318. This compares to a gain resulting from the change in derivative value of \$356,566 offset in part by amortization of debt discount, stock issuance cost and other charges amounting to \$3,318,505 in FYE 2010. During FYE 2011, the Company recorded a \$244,496 gain from the settlement of liabilities from discontinued operations.

Net loss. mPhase recorded a net loss of \$486,391 for the year ended June 30, 2011 as compared to a loss of \$7,365,765 for the same period ended June 30, 2010. During FYE 2011, the Company recorded a net loss from continuing operations of \$730,887 and net income from discontinued operations of \$244,496. This represents a loss per common share of (\$.00 ) in 2011 as compared to \$(.01) in 2010, based upon weighted average common shares outstanding of 1,402,130,735 and 1,041,685,519 during the periods ending June 30, 2011 and June 30, 2010 respectively.

#### Comparison of Twelve Months Ended June 30, 2012 and 2011

	12 Months Ended June 30, 2012		12 Months Ended June 30, 2011	
	Amount	% of Revenue	Amount	% of Revenue
Revenue	\$1,502	100 %	\$49,210	100 %
Cost of Revenue	14,520		50,260	-102 %
Gross profit	(13,018 )		(1,050 )	-.02 %
Research and development expenses and	53,374		625,417	1,263 %
General and administrative expenses	7,921,189		1,823,178	3,705 %
Non-operating income (expense)	(789,656 )		1,734,249	-3,524 %
Net loss	\$(8,786,952)		\$(486,891 )	-989.0 %

#### LIQUIDITY AND CAPITAL RESOURCES

The following tables sets forth a summary of our cash flows for the periods indicated below:

##### Cash Flows

	Fiscal Year Ended June 30,	
	2013	2012
Net cash used in operating activities	\$694,676	\$1,091,944
Net cash used in investing activities	-0-	7,129
Net cash provided by financing activities	655,818	1,137,242
Net increase (decrease) in cash and cash equivalents	(38,858 )	38,169
Cash and cash equivalents at the end of the period	\$1,055	\$39,913

	Fiscal Year ended June 30,	
	2012	2011
Net cash used in operating activities	\$1,091,944	\$1,765,506
Net cash used in investing activities	7,129	5,933
Net cash provided by financing activities	1,137,242	1,544,746
Net increase (decrease) in cash and cash equivalents	38,169	(226,693 )
Cash and cash equivalents at the end of the period	\$39,913	\$1,744

Through June 30, 2013, the Company had incurred development stage losses totaling approximately \$203,391,541 and had cash and cash equivalents of \$1,055. At June 30, 2013, mPhase had working capital of (\$4,410,097) as compared to working capital of (\$3,657,635) as of June 30, 2012.

The Company has convertible debentures and notes outstanding that enable the Company to raise \$645,000 during the fiscal year ended June 30, 2012. For the period beginning July 1, 2012 through June 30, 2013 the Company has raised \$115,000 from the issuance of additional convertible notes and \$567,053 from private placements. The Company has suspended conversions with respect its two largest holders. Such suspension has resulted in litigation with one of the holders and there is a significant potential "overhang" of monies funded to the Company together with accrued interest totaling \$1,663,975 which depending upon the outcome of the litigation could amount to up to approximately \$1,797,703 that has not been converted into common stock as of June 30, 2013. At the current stock price of \$.0015 such convertible securities could be convertible into up to approximately 1,498,086,000 shares of the Company's common stock.

The Company believes that the recent increase in its stock price will continue opportunities for supplemental private placements of equity subject to its ability to secure shareholder approval for a significant increase in authorized shares of stock. Owing to recent cost-reductions achieved by the Company in payroll and other administrative expenses the Company believes that its short-term liquidity requirements are between \$75,000 -100,000 per month.

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, 2014. Such monies will be necessary primarily to fund future operating expenditures as well as marketing, cost-reductions and commercialization of its Smart NanoBattery, automotive jump starter designed for the mass market. Finally, depending upon sales and margins for the remainder of fiscal year 2014 and fiscal year 2015, additional capital may be required to fund a portion of any growth necessary in operations.

Cash used in operating activities was \$694,676 during the twelve months ended June 30, 2013. During such period, the cash used by operating activities consisted principally of the net loss (\$1,140,815) minus non-cash charges related to convertible debt issued and associated changes in derivative value (\$557,918) reduced by an increase of accounts payable and accrued expenses of \$579,287.

During the twelve-month period ended June 30, 2013, the Company raised capital through private placements with accredited investors, whereby the Company issued 1,322,250,000 shares of the Company's common stock, generating net proceeds to the Company of \$567,053. During the twelve-month period ended June 30, 2012, the Company raised capital through private placements with accredited investors, whereby the Company issued 170,003,000 shares of the Company's common stock, generating net proceeds to the Company of \$127,000.

We believe that it is not possible at this stage to provide a meaningful estimate of the total cost to complete our ongoing projects and bring any proposed products to market. The development of new products using the science of nanotechnology and the discipline of microfluidics is an emerging area and the time for development of future new products is unknown. Costs to complete could vary substantially depending upon the products selected for development. It is possible that the completion and commercialization of these new products could be delayed for a variety of reasons, including difficulties in developing prototypes, delays in manufacturing and the development of new sources of product distribution. Any delay in completion of a product would increase the cost of that product, which would harm our results of operations. Due to these uncertainties, we cannot reasonably estimate the size, nature nor timing of the costs to complete, or the amount or timing of the net cash inflows from our current activities. Until we have developed a larger number of products, we will not be able to estimate our future expenses related to these programs or when, if ever, and to what extent we will receive cash inflows from resulting products.



## Contractual Obligations

At June 30, 2013, our significant contractual obligations together with accrued interest were as follows:

	Less than one year	Greater than one year	Total
Convertible Notes-JMJ Financial	766,858	109,345	876,203
Convertible Notes-John Fife	689,593	98,179	787,772
Convertible Notes- Asher Enterprises	54,625	-0-	54,625
Convertible Note-Black Arch Opportunity Fund L.P.	31,371	-0-	31,371
Total	1,542,447	207,524	1,752,971

We do not maintain any off-balance sheet arrangements, transactions, obligations or other relationships with unconsolidated entities that would be expected to have a material current or future effect upon our financial condition or results of operations.

## SELECTED FINANCIAL DATA

(in thousands except per share 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 from October 2, 1996 (date of inception) to June 30, 1997 and for the year ended June 30, 1998, and the balance sheet data as of June 30, 1997 and 1998, are derived from financial statements that have been audited by Schuhalter, Coughlin & Suozzo, LLC, independent auditors, and are included in this document. The statement of operations data for the years ended June 30, 1999, 2000, and 2001 and the balance sheet data as of June 30, 1999, 2000, and 2001 are derived from financial statements that have been audited by Arthur Andersen LLP., independent auditors. The statement of operations data for each year ended June 30, 2002 through June 30, 2009 and the balance sheet data as of June 30, 2002 through June 30, 2009 are derived from financial statements that have been audited by Rosenberg Rich Baker Berman & Company. The statement of operations data for the years ended June 30, 2010 through June 30, 2012 and the balance sheet data as of June 30, 2010, June 30, 2011 and June 30, 2012 respectively are derived from financial statements that have been audited by Demetrius & Company, L.L.C. The statement of operations for the year ended June 30, 2013 and the balance sheet data as of June 30, 2013 have been audited by Demetrius Berkower L.L.C (formerly Demetrius & Company, L.L.C.), independent auditors, and are included in this document.

## SUMMARY OPERATING DATA

Year Ended June 30,

(in thousands except per share data)

	Fiscal Years Ended June 30,					from inception October 2, 1996 to 30-Jun-13
	2009	2010	2011	2012	2013	
Total Revenues	\$187	\$354	\$49	\$1	\$4	\$749
Cost of Sales	0	66	50	15	15	146
Research and Development	1,256	2,203	626	53	126	12,437
General and administrative	9,554	1,845	1,823	7,921	1,202	36,353
Depreciation and amortization	34	25	15	14	12	605
Operating Loss	(10,637 )	(3,785 )	1,875	(8,002 )	(1,351 )	\$(48,791 )
Other income (expense) net	(3,118 )	(118 )	2,120	(790 )	210	\$11,241
Interest income (expense)	(1,321 )	(3,463 )	(141 )	(344 )	(293 )	\$6,728
Discontinued Operations	-	-	245	5	88	145,659
Net Loss	\$(15,096 )	\$(7,366 )	\$(486 )	\$(8,787 )	\$(261 )	\$(203,692 )
Continuing per share	\$(0.03 )	\$(.01 )	\$(.00 )	\$(.00 )	\$(0.0 )	
Discontinued per share	\$(0.00 )	\$0	\$(.00 )	\$(.00 )	\$(0.0 )	
Weighted Average shares outstanding	592,455,950	1,041,685,519	1,402,130,735	2,789,725,412	4,515,985,122	

## BALANCE SHEET DATA

in \$000's

	2009	2010	2011	2012	2013
Cash and cash equivalents	\$100	\$228	\$2	\$40	\$106
Working capital (deficit)	\$(3,991 )	\$201	\$(2,705 )	\$(3,691 )	\$(4,410 )
Total assets	\$3,489	\$5,844	\$235	\$186	\$112
Long-term obligations, net of current portion	\$4,433	\$28	\$16	\$3	\$
Total stockholders' (deficit)	\$(5,234 )	\$(7,884 )	\$(5,592 )	\$(5,503 )	\$(4,896 )



## 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.

## 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 2013 QUARTERLY

STATEMENT OF OPERATIONS DATA:	Three Months Ended			
	September 30,	December 31,	March 31,	June 30,
	(in thousands, except share amounts)			
Total revenues	\$ 2	\$ 0	\$ 0	\$ 2
Costs and Expenses:				
Cost of sales	13	0	0	2
Research and development	1	1	1	123
General and administrative	283	302	268	349
Depreciation and amortization	3	3	3	3
Operating loss	(298)	(306)	(272)	(475)
Interest expense, Net	(70)	(71)	(75)	77
Other Income (expense)	661	(361)	(139)	(342)
Discontinued operations				880
Net ( Loss) Income	\$ 293	\$ (738)	\$ (486)	\$ 670
Basic net (loss) gain per share-				
Continuing operations	\$ 0	\$ 0	\$	\$
Discontinued operations	\$	\$	\$	\$
Diluted net (loss) gain per share-				
Continuing operations	\$ 0	\$ 0	\$	\$
Discontinued operations	\$	\$	\$	\$
Shares used in basic net loss per share				
Shares used in diluted net loss per share				

Includes certain reclassification from previous reported amounts

## 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



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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	

FISCAL 2011 QUARTERLY STATEMENT OF OPERATIONS DATA:	Three Months Ended			
	September 30,	December 31, (in thousands, except share amounts)	March 31,	June 30,
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)	(41)
Discontinued operations				245
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, (in thousands, except share amounts)	March 31,	June 30,
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

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FISCAL 2009 QUARTERLY STATEMENT OF OPERATIONS DATA:	Three Months Ended			
	September 30,	December 31,	March 31,	June 30,
	(in thousands, except share amounts)			
Total revenues	\$6	\$45	\$44	\$92
Costs and Expenses:				
Cost of sales	-	-	-	-
Research and development	388	216	265	386
General and administrative	6,239	499	430	2,387
Depreciation and amortization	13	13	4	4
Operating loss	(6,634 )	(683 )	(655 )	(2,685 )
Interest expense, Net	(39 )	(61 )	(74 )	(1,146 )
Other Income (expense)	355	(1,845 )	73	(1,702 )
Discontinued Operations	-	-	-	-
Net Loss	(6,318 )	\$(2,589 )	\$(656 )	\$(5,533 )
Basic and diluted net (loss) gain per share-				
Continuing Operations	(0.01 )	\$(0.01 )	\$-	\$(0.01 )
Discontinued Operations	\$-	\$-	\$-	\$-
Shares used in basic and diluted net loss per share	452,895,360	452,895,360	671,278,600	786,484,581

FISCAL 2008 QUARTERLY STATEMENT OF OPERATIONS DATA:	Three Months Ended			
	September 30,	December 31,	March 31,	June 30, (As Restated)
	(in thousands, except share amounts)			
Total revenues	\$35	\$61	\$1	\$10
Costs and Expenses:				
Cost of sales	0	1	0	0
Research and development	560	285	277	(134 )
General and administrative	1,497	985	576	974
Depreciation and amortization	34	81	21	9
Operating loss	(2,056 )	(1,291 )	(873 )	(833 )
Interest expense, Net	(12 )	(38 )	(145 )	(20 )
Other Income (expense)	(718 )	1,436	(2,487 )	3,653
Discontinued Operations	-	-	-	(5 )
Net (Loss) Income	\$(2,786 )	\$107	\$(3,505 )	\$2,801
Basic and diluted net (loss) gain per share				
Continuing operations	\$(0.01 )	\$0	\$(0.01 )	\$0
Discontinued operations	\$-	\$-	\$-	\$-
Shares used in basic and diluted net loss per share	389,791,154	392,557,583	397,367,531	418,881,266
Includes certain reclassification from previous reported amounts				

MARKET PRICE OF AND DIVIDENDS ON REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

(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	\$.42	\$.29
Second Quarter	.61	.29
Third Quarter	.69	.38
Fourth Quarter	.46	.29
Fiscal year ended June 30, 2005		
First Quarter	\$.31	\$.21
Second Quarter	.35	.23
Third Quarter	.60	.30
Fourth Quarter	.41	.25
Fiscal year ended June 30, 2006		
First Quarter	\$.29	\$.21
Second Quarter	.32	.15
Third Quarter	.45	.19
Fourth Quarter	.34	.18
Fiscal year ended June 30, 2007		
First Quarter	\$.21	\$.16
Second Quarter	.20	.15
Third Quarter	.24	.15
Fourth Quarter	.19	.09
Fiscal year ended June 30, 2008		
First Quarter	\$.13	\$.07
Second Quarter	.09	.05
Third Quarter	.14	.05
Fourth Quarter	.13	.07
YEAR/QUARTER	HIGH	LOW
First Quarter	\$.08	\$.03
Second Quarter	.05	.01
Third Quarter	.04	.01
Fourth Quarter	.05	.01
Fiscal year ended June 30, 2010		
First Quarter	\$.03	\$.02
Second Quarter	.02	.01
Third Quarter	.03	.02
Fourth Quarter	.02	.01
Fiscal year ended June 30, 2011		

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First Quarter	\$.0189	\$.0100
Second Quarter	.0147	.0080
Third Quarter	.0105	.0045
Fourth Quarter	.0032	.0123
Fiscal year ended June 30, 2012		
First Quarter	\$.0014	\$.001
Second Quarter	.0023	.0017
Third Quarter	.0037	.0036
Fourth Quarter	.0015	.0013
Fiscal Year ended June 30, 2013		

## Penny Stock Rules

Our shares of Common Stock are subject to the "penny stock" rules of the Securities Exchange Act of 1934 and various rules under this Act. In general terms, "penny stock" is defined as any equity security that has a market price less than \$5.00 per share, subject to certain exceptions. The rules provide that any equity security is considered to be a penny stock unless that security is registered and traded on a national securities exchange meeting specified criteria set by the SEC, authorized for quotation from the NASDAQ stock market, issued by a registered investment company, and excluded from the definition on the basis of price (at least \$5.00 per share), or based on the issuer's net tangible assets or revenues. In the last case, the issuer's net tangible assets must exceed \$3,000,000 if in continuous operation for at least three years or \$5,000,000 if in operation for less than three years or the issuer's average revenues for each of the past three years must exceed \$6,000,000.

Trading in shares of penny stock is subject to additional sales practice requirements for broker-dealers who sell penny stocks to persons other than established customers and accredited investors. Accredited investors, in general, include individuals with assets in excess of \$1,000,000 or annual income exceeding \$200,000 (or \$300,000 together with their spouse), and certain institutional investors. For transactions covered by these rules, broker-dealers must make a special suitability determination for the purchase of the security and must have received the purchaser's written consent to the transaction prior to the purchase. Additionally, for any transaction involving a penny stock, the rules require the delivery, prior to the first transaction, of a risk disclosure document relating to the penny stock. A broker-dealer also must disclose the commissions payable to both the broker-dealer and the registered representative, and current quotations for the security. Finally, monthly statements must be sent disclosing recent price information for the penny stocks. These rules may restrict the ability of broker-dealers to trade or maintain a market in our Common Stock, to the extent it is penny stock, and may affect the ability of shareholders to sell their shares.

## Dividends

We never paid cash dividends and have no plans to do so in the foreseeable future. Our future dividend policy will be determined by our board of directors and will depend upon a number of factors, including our financial condition and performance, our cash needs and expansion plans, income tax consequences, and the restrictions that applicable laws, our current preferred stock instruments, and our future credit arrangements may then impose.

Currently under New Jersey law, unless further restricted in its certificate of incorporation, a corporation may declare and pay dividends out of surplus, or if no surplus exists, out of net profits for the fiscal year in which the dividend is declared and/or the preceding fiscal year (provided that the amount of capital of the corporation is not less than the aggregate amount of the capital represented by the issued and outstanding stock of all classes having a preference upon the distribution of assets).

## Securities Authorized for Issuance Under Equity Compensation Plan

The following table shows information with respect to each equity compensation plan under which the Company's Common Stock is authorized for issuance as of the fiscal year ended October 30, 2013.

## EQUITY COMPENSATION PLAN INFORMATION

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)(1)	Weighted average price of outstanding options, warrants and rights (b)	Number of securities remaining available for issuance under equity compensation plans (c)(2)
Equity compensation plans approved by security holders			
Equity compensation plans not approved by security holders			
Total	0	0	0

(1)

(2)

## CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

## QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our exposure to market risk is limited primarily to interest income sensitivity, which is affected by changes in the general level of U.S. interest rates, particularly because a significant portion of our investments are in short term debt securities issued by the U.S. government and institutional money market funds. The primary objective of our investment activities is to preserve principal. Due to the nature of our marketable securities, we believe that we are not exposed to any material market risk. We do not have any derivative financial instruments or foreign currency instruments. If interest rates had varied by 10% in the three months ended March 31, 2013, it would not have had a material effect on our results of operations or cash flows for that period.

## DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS

Our directors are elected at the annual meeting of shareholders to hold office until the annual meeting of shareholders for the ensuing year or until their successors have been duly elected and qualified. Officers are elected annually by the Board of Directors and serve at the discretion of the Board. No family relationships exist between any of the executive officers or directors.



On October 19, 2007, 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, a company 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) Mr. Durando had violated Section 5 of the Securities Act of 1933, as amended, by making unregistered sales of common stock of Packetport.com.(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.

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, 2013 are as follows:

NAME	AGE	POSITION(S)
Ronald A. Durando	55	Chief Executive Officer and Director
Gustave T. Dotoli (2)	77	Chief Operating Officer and Director
Martin Smiley	65	Chief Financial Officer
OUTSIDE DIRECTORS		
Anthony H. Guerino (1)(2)	67	Director
Abraham Biderman (1)(2)	66	Director
Dr. Victor Lawrence	64	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.

ANTHONY H. GUERINO has been a member of the Board since February 23, 2000. Since December 1997, Mr. Guerino has been an attorney in private practice in New Jersey. Prior thereto, Mr. Guerino served as a judge of the Newark Municipal Courts for over twenty (20) years, periodically sitting in the Essex County Central Judicial Processing Court at the Essex County Courthouse. Mr. Guerino has been a chairperson for and member of several judicial committees and associations in New Jersey, and has been an instructor for the Seton Hall School of Law's Trial Moot Court Program.

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 Bachelor 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 leading telecommunications service providers. 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. Dr. Lawrence played a significant role in the development of major international voiceband modem standards, making high-speed data communication over international networks possible and 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.

## EXECUTIVE COMPENSATION

## TEM 11. EXECUTIVE COMPENSATION

The following table sets forth, for the fiscal year ended June 30, 2013 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, 2013.

## SUMMARY EXECUTIVE COMPENSATION

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

## OUTSTANDING EQUITY AWARDS at FISCAL YEAR END JUNE 30, 2013

	Number of Securities underlying	Number of Securities underlying Unexercised Options (Exercisable)	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	50,000,000				\$ .004	9/16/2013			
					\$				
					\$				
					\$				
					\$				
					\$				
					\$				
Gustave Dotoli COO	30,000,000				\$ .004	9/16/2013			
					\$				
					\$				
					\$				
					\$				
					\$				
Martin Smiley Executive VP CFO Chief Legal	18,000,000				\$ .004	9/16/2013			
					\$				
					\$				

## EMPLOYMENT AGREEMENTS WITH EXECUTIVE OFFICERS

The Company does not have employment agreements with its executive officers. The Company has accrued and unpaid salaries and loans owed to each of its executive officers and is continuing such practices to conserve financial resources. A portion of the proceeds received by the Company under the Equity Line may be used to repay in part or in full such accrued amounts.

## COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

The members of the Compensation Committee during fiscal 2013 were Mr. Dotoli, Biderman and Guerino. Neither Messrs. Biderman nor Mr. Guerino has been an officer or employee of mPhase. 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 2012 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.

## Employment Agreements

None

## Director Compensation Arrangements

None

## SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth as of August 5, 2013 certain information regarding the beneficial ownership of our shares:

## SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth as of August 5, 2013 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	-	200,000	10,300,000	0.20%
Anthony Guerino	-	-	260,000	260,000	0.01%
Abraham Biderman	45,226,890	-	2,160,000	47,386,890	0.93%
Gustave Dotoli (3)	318,107,805	101,961,385	30,000,000	450,069,190	8.60%
Ron Durando (3)	452,241,922	143,558,783	50,000,000	645,800,705	12.20%
	2,850,000	-	450,000	3,300,000	0.06%
Martin Smiley (3)	313,760,629	85,863,810	18,000,000	417,624,439	8.02%
Microphase Corporation(4) (5)	42,726,686	-	-	42,726,686	0.84%

Total Affiliates	1,185,013,932	331,383,978	101,070,000	1,617,467,910	30.86%
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(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 5,101,752,121 shares outstanding on August 2, 2013, and, with respect to each person holding options or warrants to purchase shares that are exercisable within 60 days after November 14, 2011, 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 143,558,783 shares, 101,961,385 shares and 85,863,810 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.

(4) Messrs. Ergul and Durando and certain members of their families may be deemed to exercise shared majority voting and dispositive power for Microphase Corporation through their indirect ownership interests in Microphase Holding Company, LLC which owns 88.4% of Microphase common stock. The holding company is owned 43.9% by the Ergul Family Limited Partnership, which is wholly owned by Mr. Ergul, his wife and daughters, and 50% by Edson Realty Inc. which is 83% owned by Mr. Durando, 12% by Mr. Ergul and 5% by three unrelated shareholders. Mr. Durando owns an additional 1.6% of Microphase common stock in his individual name.

(5) Includes 26,666,667 shares issued in June 2009 in connection with which the Company, during the quarter ended September 30, 2009, recorded \$586,667 in beneficial interest expense in respect of the conversion of \$200,000 of accounts payable.

## CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND CORPORATE GOVERNANCE

### 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. The Company also incurred costs in the past for obtaining transmission rights for a product it had planned to develop within its incorporated joint venture, mPhase Television. Net, in which the Company owned a 56.5% interest. This line of business has been discontinued.

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, Janifast Ltd., mPhase Television. Net and Hart Telephone 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.

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

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

	Durando	Dotol	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 compensation to related parties for the Twelve Months Ended June 30, 2012

	Durando	Dotoli	Smiley	Biderman	Microphase	Total
Consulting / Salary	\$110,000	\$107,333	\$106,667			\$324,000
Interest	\$54,681	\$36,103	\$26,744			\$117,528
Rent					\$43,560	\$43,560
G&A					\$7,225	\$7,225
R&D						\$0
Finders Fees				\$18,000		\$18,000
Stock based compensation (shares issued)	\$2,488,500	\$1,858,500	\$1,858,500	\$252,000	\$63,000	\$6,520,500
Stock based compensation (options issued)	\$173,316	\$103,990	\$62,394			\$339,700
Total compensation for the Twelve Months Ended June 30, 2012	\$2,826,497	\$2,105,926	\$2,054,305	\$270,000	\$113,785	\$7,370,513

Summary of compensation to related parties for the Twelve Months Ended June 30, 2011

	Durando	Dotol	Smiley	Biderman	Microphase	Total
Consulting / Salary	\$ 160,000	\$ 144,000	\$ 140,000			\$ 444,000
Interest	\$ 33,728	\$ 18,610	\$ 16,569			\$ 68,907
Rent					\$ 36,000	\$ 36,000
G&A					\$ 9,356	\$ 9,356
R&D						\$ 0
Finders Fees				\$ 24,500		\$ 24,500
Total compensation	\$ 193,728	\$ 162,610	\$ 156,569	\$ 24,500	\$ 45,356	\$ 582,763

Summary of compensation to related parties for the Twelve Months Ended June 30, 2010

	Durando	Dotoli	Smiley	Biderman	Microphase	Total
Consulting / Salary	\$200,000	\$180,000	\$175,000			\$555,000
Interest	\$56,483	\$39,375	\$24,356			\$120,214

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Rent					\$36,000	\$36,000
G&A					\$9,936	\$9,936
R&D					\$337,500	\$337,500
Finder's Fees				\$25,000		\$25,000
Total compensation	\$256,483	\$219,375	\$199,356	\$25,000	\$383,436	\$1,083,650

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Summary of payables to related parties as of March 31, 2013

	Durando	Dotoli	Smiley	Payable	Biderman	Microphase	Total
Notes payable	\$456,023	\$320,913	\$279,127	\$1,056,063			\$1,056,063
Accrued Wages Officers	\$75,667	\$75,667	\$55,417	\$206,751			\$206,751
Due to Officers / Affiliates					\$156,000	\$56,398	\$212,398
Interest Payable	\$107,747	\$73,036	\$56,909	\$237,692			\$237,692
<b>Total Payable to Officers / Affiliates as of March 31, 2013</b>	<b>\$639,437</b>	<b>\$469,616</b>	<b>\$391,453</b>	<b>\$1,500,506</b>	<b>\$156,000</b>	<b>\$56,398</b>	<b>\$1,712,903</b>
** included in accounts payable					**		

Summary of payables to related parties as of June 30, 2012

	Durando	Dotoli	Smiley	Payable	Biderman	Microphase	Total
Notes payable	\$456,573	\$333,663	\$273,177	\$1,063,413			\$1,063,413
Accrued Wages Officers	\$29,167	\$29,167	\$10,417	\$68,751			\$68,751
Due to Officers / Affiliates					\$150,000	\$53,128	\$203,128
Interest Payable	\$58,771	\$38,745	\$28,623	\$126,139			\$126,139
<b>Total Payable to Officers / Affiliates as of June 30, 2012</b>	<b>\$544,511</b>	<b>\$401,575</b>	<b>\$312,217</b>	<b>\$1,258,303</b>	<b>\$150,000</b>	<b>\$53,128</b>	<b>\$1,461,431</b>
** included in accounts payable					**		

Summary of payables to related parties as of June 30, 2011

	Durando	Dotoli	Smiley	Payable	Biderman	Microphase	Total
Notes payable	\$263,479	\$148,306	\$111,030	\$522,815	\$		\$522,815
Due to Officers / Affiliates					150,000	\$27,242	\$177,242
Interest Payable	\$151,685	\$120,498	\$80,725	\$352,909			\$352,909
<b>Total Payable to Officers / Affiliates</b>	<b>\$415,164</b>	<b>\$268,804</b>	<b>\$191,755</b>	<b>\$875,724</b>	<b>\$150,000</b>	<b>\$27,242</b>	<b>\$1,052,966</b>

Summary of payables to related parties as of June 30, 2010

Total  
Notes

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	Durando	Dotoli	Smiley	Payable	Biderman	Microphase	Total
Notes payable	\$301,479	\$166,306	\$119,030	\$586,815			\$586,815
Due to Officers / Affiliates	\$0	\$0	\$0	\$0		\$19,214	\$19,214
Interest Payable	\$117,957	\$101,888	\$64,157	\$284,002	\$150,000		\$434,002
Total Payable to Officers / Affiliates	\$419,436	\$268,194	\$183,187	\$870,817	\$150,000	\$19,214	\$1,040,031

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.

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

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

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, 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 Microphase \$3,000 per month. Microphase also charges fees for specific projects on a project-by-project basis. During the year ended June 30, 2011 and for the period of time from mPhase's inception (October 2, 1996) to June 30, 2011, \$45,356 and \$9,477,961, respectively, have been charged to expense or inventory under these Agreements and is included in "discontinued operations" in the accompanying consolidated statements of operations. 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.

#### Director Independence

The Company complies with the standards of "independence" prescribed by rules set forth by the National Association of Securities Dealers ("NASD"). Accordingly, a director will only qualify as an "independent director" if, in the opinion of our Board of Directors, that person does not have a material relationship with our company which would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. A director who is, or at any time during the past three years, was employed by the Company or by any parent or subsidiary of the Company, shall not be considered independent. Accordingly, Anthony Guerino and Victor Lawrence meet the definition of "independent director" under Rule 4200(A)(15) of the NASD Manual; Abraham Biderman, Ronald A. Durando, Gustave T. Dotoli and Martin Smiley do not.

#### ADDITIONAL INFORMATION

Federal securities laws require us to file information with the Commission concerning our business and operations. Accordingly, we file annual, quarterly, and special reports, and other information with the Commission. You can inspect and copy this information at the public reference facility maintained by the Commission at 100 F Street, NE, Washington, D.C. 20549.

You can get additional information about the operation of the Commission's public reference facilities by calling the Commission at 1-800-SEC-0330. The Commission also maintains a web site (<http://www.sec.gov>) at which you can read or download our reports and other information.

We have filed with the Commission a registration statement on Form S-1 under the Securities Act of 1933 with respect to the Common Stock being offered hereby. As permitted by the rules and regulations of the Commission, this prospectus does not contain all the information set forth in the registration statement and the exhibits and schedules thereto. For further information with respect to mPhase and the Common Stock offered hereby, reference is made to the registration statement, and such exhibits and schedules. A copy of the registration statement, and the exhibits and schedules thereto, may be inspected without charge at the public reference facilities maintained by the Commission at the addresses set forth above, and copies of all or any part of the registration statement may be obtained from such offices upon payment of the fees prescribed by the Commission. In addition, the registration statement may be accessed at the Commission's web site.



## DISCLOSURE OF COMMISSION POSITION ON INDEMNIFICATION FOR SECURITIES ACT LIABILITIES

Our directors and officers are indemnified by our bylaws against amounts actually and necessarily incurred by them in connection with the defense of any action, suit or proceeding in which they are a party by reason of being or having been directors or officers of the Company. Our certificate of incorporation provides that none of our directors or officers shall be personally liable for damages for breach of any fiduciary duty as a director or officer involving any act or omission of any such director or officer. Insofar as indemnification for liabilities arising under the Securities Act of 1933, as amended, may be permitted to such directors, officers and controlling persons pursuant to the foregoing provisions, or otherwise, we have been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable.

In the event that a claim for indemnification against such liabilities, other than the payment by us of expenses incurred or paid by such director, officer or controlling person in the successful defense of any action, suit or proceeding, is asserted by such director, officer or controlling person in connection with the securities being registered, we will, unless in the opinion of counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

## LEGAL MATTERS

The validity of the shares offered hereby will be passed upon for us by Martin Smiley, Esq., EVP, CFO and General Counsel of the Company.

## EXPERTS

The consolidated financial statements of mPhase Technologies, Inc. as of June 30, 2012, June 30, 2011 and June 30, 2010 have been audited by Demetrius & Company, L.L.C. and the financial statements for the fiscal year ended June 30, 2009, included in this registration statement on Form S-1, have been audited by Rosenberg, Rich, Baker & Berhman, independent auditors, as stated in their reports appearing with the financial statements. These financial statements are included in reliance upon the reports of each of Demetrius & Company, L.L.C. and Rosenberg, Rich Baker and Berhman given upon the authority of said firms as experts in accounting and auditing.

## FINANCIAL STATEMENT SCHEDULES

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

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Report of Demetrius & Company LLC	55
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Report of Arthur Andersen LLP	57
Report of Schuhalter, Coughlin & Suozzo, PC	58
Consolidated Balance Sheets as of June 30, 2011 and 2010	59
Consolidated Statements of Operations for the years ended June 30, 2010 and 2011 and for the period from inception (October 2, 1996) through June 30, 2011	60
Consolidated Statements of Operations for the three months ended September 30, 2010 and 2011 and for the period from inception (October 2, 1996) through September 30, 2011 (unaudited)	61
Consolidated Statements of Changes in Stockholders' Equity (Deficit) for the period from inception (October 2, 1996) to June 30, 1997 and for each of the fourteen years in the period ended June 30, 2011	62

Consolidated Statements of Changes in Stockholders' Equity (Deficit) From July 1, 2011 to September 30, 2011 (unaudited)	63
Consolidated Statements of Cash Flows for the years ended June 30, 2010 and 2011 and for the period from inception (October 2, 1996) through June 30, 2011, as restated	73
Consolidated Statements of Cash Flows for the three months ended September 30, 2010 and 2011 and for the period from inception (October 2, 1996) through September 30, 2011(unaudited)	74
Notes to Consolidated Financial Statements	74

Report of Independent Registered Public Accounting Firm

To The Board of Directors and  
Shareholders of mPhase Technologies, Inc.

We have audited the accompanying consolidated balance sheets of mPhase Technologies, Inc. (a New Jersey corporation in the development stage) and its subsidiaries as of June 30, 2012 and 2013 and the related consolidated statements of operations, changes in stockholders' equity (deficit) and cash flows for the two years then ended and for the period of July 1, 2009 to June 30, 2013. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of mPhase Technologies, Inc. for the period from inception to June 30, 2009. Those statements were audited by other auditors whose reports have been furnished to us and our opinion, insofar as it relates to amounts for the period from inception to June 30, 2009, included in the cumulative totals, is based solely upon the report of the other auditors.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of mPhase Technologies, Inc. and subsidiaries as of June 30, 2012 and 2013 and the results of their operations and their cash flows for the two years then ended, and for the period of July 1, 2009 to June 30, 2013 in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming that mPhase Technologies, Inc. and subsidiaries will continue as a going concern. As shown in the financial statements, the Company has experienced significant losses and negative operating cash flows resulting in a working capital deficiency and stockholders' deficit. These conditions raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are more fully described in Note 2. The consolidated financial statements do not include any adjustments that might result from the outcome of these uncertainties.

Demetrius Berkower LLC.

Wayne, New Jersey  
September 27, 2013

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and  
Stockholders of mPhase Technologies, Inc.

We have audited the accompanying consolidated balance sheet of mPhase Technologies, Inc. (a New Jersey corporation and is in the development stage) and subsidiaries as of June 30, 2009, and the related consolidated statements of operations, changes in stockholders' equity (deficit) and cash flows for the year then ended, for the period from July 1, 2001 to June 30, 2009. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of mPhase Technologies, Inc. for the period from inception to June 30, 2001. Those statements were audited by other auditors.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, based on our audits, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of mPhase Technologies, Inc. and subsidiaries as of June 30, 2009, and the results of its operations and its cash flows for the year then ended and for the period from July 1, 2001 to June 30, 2009, in conformity with accounting principles generally accepted in the United States of America.

Rosenberg Rich Baker Berman & Company

Somerset, New Jersey

September 25, 2009, (April 20, 2010 as to "Other Equity" included in Note 8)



REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors and  
Stockholders of mPhase Technologies, Inc.:

We have audited the accompanying consolidated balance sheets of mPhase Technologies, Inc. (a New Jersey corporation in the development stage) and subsidiaries as of June 30, 2001 and 2000, and the related consolidated statements of operations, changes in stockholders' equity and cash flows for each of the three years in the period ended June 30, 2001 and for the period from inception (October 2, 1996) to June 30, 2001. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of mPhase Technologies, Inc. for the period from inception to June 30, 1998. Such amounts are included in the cumulative from inception to June 30, 2001 totals of the statements of operations, changes in stockholders' equity and cash flows and reflect total net loss of 6 percent of the related cumulative totals. Those statements were audited by other auditors whose report has been furnished to us and our opinion, insofar as it relates to amounts for the period from inception to June 30, 1998, included in the cumulative totals, is based solely upon the report of the other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the report of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of mPhase Technologies, Inc. and subsidiaries as of June 30, 2001 and 2000, and the results of their operations and their cash flows for each of the three years in the period ended June 30, 2001 and for the period from inception to June 30, 2001, in conformity with accounting principles generally accepted in the United States.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the consolidated financial statements, the Company has suffered recurring losses from operations and is in a working capital deficit position that raises substantial doubt about its ability to continue as a going concern. Management's plans concerning these matters are also described in Note 2. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Arthur Andersen LLP  
Stamford, Connecticut  
October 12, 2001

PURSUANT TO SEC RELEASE NO. 33-8070 AND RULE 437A UNDER THE SECURITIES ACT OF 1933, AS AMENDED, mPHASE TECHNOLOGIES, INC. HAS NOT RECEIVED WRITTEN CONSENT AFTER REASONABLE EFFORT TO USE THIS REPORT. THIS REPORT IS A COPY OF A PREVIOUSLY ISSUED ARTHUR ANDERSEN LLP REPORT. THIS REPORT HAS NOT BEEN REISSUED BY ARTHUR ANDERSEN LLP. WITH RESPECT TO THIS INSTANT 10K/A, YOU WILL NOT BE ABLE TO RECOVER AGAINST ARTHUR ANDERSEN LLP UNDER SECTION 11 OF THE SECURITIES ACT FOR ANY UNTRUE STATEMENTS OF A MATERIAL FACT CONTAINED IN THE FINANCIAL STATEMENTS AUDITED BY ARTHUR ANDERSEN LLP OR ANY OMISSIONS TO STATE A MATERIAL FACT REQUIRED TO BE STATED THEREIN.



REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors and Stockholders of mPhase Technologies, Inc.:

We have audited the statements of operations, changes in stockholders' equity, and cash flows for the period October 2, 1996 (date of inception) through June 30, 1998 of mPhase Technologies, Inc. (a development stage company). These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the results of its operations and its cash flows for the period of October 2, 1996 (date of inception) through June 30, 1998 in conformity with generally accepted accounting principles.

Schuhalter, Coughlin & Suozzo, PC  
Raritan, New Jersey

January 28, 1999

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

	June 30, 2012	June 30, 2013
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 39,913	\$ 1,055
Inventory	86,494	70,684
Prepaid and other current assets	26,653	23,013
<b>TOTAL CURRENT ASSETS</b>	<b>\$ 153,060</b>	<b>\$ 94,752</b>
Property and equipment, net	33,141	17,169
<b>TOTAL ASSETS</b>	<b>\$ 186,201</b>	<b>\$ 111,921</b>
<b>LIABILITIES AND STOCKHOLDERS' DEFICIT</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 826,379	\$ 1,089,617
Accrued expenses	91,591	226,609
Due to related parties	203,128	212,084
Accrued Wages Officers	68,751	266,751
Notes payable, related parties	1,189,552	1,325,536
Short term notes	65,000	65,000
Accounts Payable and Accrued Expenses-Discontinued Activities	863,594	-
Current Portion, Long term convertible debentures	522,980	1,314,692
Current Portion, Long term debt	12,864	4,580
<b>TOTAL CURRENT LIABILITIES</b>	<b>\$ 3,843,839</b>	<b>\$ 4,504,869</b>
Long term portion Equipment loan	3,451	-
<b>OTHER OBLIGATIONS CONVERTIBLE TO EQUITY- (Note 8 )</b>		
Convertible debt derivative liability	898,734	212,023
Long term portion of Convertible debentures, net of discount of \$128,793 and \$0 on June 30, 2012 and 2013, respectively	942,944	290,525
<b>COMMITMENTS AND CONTINGENCIES -(Note 11)</b>		
<b>STOCKHOLDERS' DEFICIT</b>		
Common stock, par value \$.001, 6,000,000,000 shares authorized, 3,666,051,851 and 5,071,165,583 shares issued and outstanding at June 30, 2012 and 2013, respectively	3,666,051	5,071,164
Additional paid in capital	194,468,219	193,761,159
Deferred Compensation	(198,157)	(28,305)
Deficit accumulated during development stage	(203,430,907)	(203,691,541)

Less-Treasury stock, 13,750 shares at cost	(7,973)	(7,973)
<b>TOTAL STOCKHOLDERS' DEFICIT</b>	<b>\$ (5,502,767)</b>	<b>\$ (4,895,496)</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT</b>	<b>\$ 186,201</b>	<b>\$ 111,921</b>

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

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

	For the FYE June 30, 2012	2013	Date of Inception to June 30, 2013
REVENUES	1,502	\$ 4,086	\$ 749,227
<b>COSTS AND EXPENSES</b>			
Cost of Sales	14,520	15,094	145,578
Research and Development (including non-cash stock related charges of \$0, \$0 and \$205,733 for FYE 2012 & 2013 and inception to date respectively)	53,374	125,982	12,436,918
General and Administrative (including non-cash stock related charges of \$6,746,740, \$169,852 and \$19,670,946 for FYE 2012 & 2013 and inception to date respectively)	7,921,189	1,201,966	36,353,207
Depreciation and Amortization	14,497	12,000	604,827
<b>TOTAL COSTS AND EXPENSES</b>	<b>8,003,580</b>	<b>1,355,042</b>	<b>49,540,530</b>
<b>OPERATING LOSS</b>	<b>(8,002,078)</b>	<b>\$ (1,350,956)</b>	<b>\$ (48,791,303)</b>
<b>OTHER INCOME (EXPENSE)</b>			
Interest (Expense)	(343,507)	(292,987)	(3,264,079)
Net Reparation, Impairment and Other Income (Expense)	(125,669)	(18,540)	(6,728,321)
Net Charges related to Convertible Debt	(320,480)	521,668	(1,248,988)
<b>TOTAL OTHER INCOME (EXPENSE)</b>	<b>(789,656)</b>	<b>210,141</b>	<b>(11,241,388)</b>
Loss From Continuing Operations, before Income Taxes	(8,791,734)	\$ (1,140,815)	\$ (60,032,691)
Income (Loss) From Discontinued Operations, Net of Income Taxes of \$0 in 2012 and 2013, offset by benefit from tax loss carryforwards of \$0 in 2012 and 2013 (including non-cash stock related charges of \$0, \$0 and \$ 57,515,718 for FYE 2012 & 2013 and inception to date respectively)	4,782	880,181	143,658,850
Income Taxes			
<b>Net Loss</b>	<b>(8,786,952)</b>	<b>\$ (260,634)</b>	<b>\$ (203,691,541)</b>

Net loss per share from:

Continuing Operations	(0.00) \$	(0.00)
Discontinued Operations	(0.00) \$	0.00

Weighted Average Number of Shares Outstanding;

Basic and Diluted	2,789,725,412	4,515,985,122
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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' EQUITY (DEFICIT)

FOR THE PERIOD FROM INCEPTION (OCTOBER 2, 1996)

TO JUNE 30, 1997 AND FOR EACH OF THE SIXTEEN YEARS IN THE PERIOD ENDED JUNE 30, 2013

	Common Stock Shares	Par Value 0.01	Treasury Stock	Additional Paid-In Capital	Deferred Compensation	Accumulated Deficit	Total Stockholders' Equity (Deficit)
Balance, October 2, 1996 (date of inception).	1,140,427	\$ 11,404		\$ 459,753	\$ 0	\$ (537,707)	\$ (66,550)
Issuance of common stock of Tecma Laboratories, Inc., for 100% of the Company.	6,600,000	66,000		(537,157)		537,707	66,550
Issuance of common stock, in private placement, net of offering costs of \$138,931	594,270	5,943		752,531			758,474
Net loss						(781,246)	(781,246)
Balance, June 30, 1997	8,334,697	\$ 83,347		\$ 675,127	\$ 0	\$ (781,246)	\$ (22,772)
Issuance of common stock with warrants, in private placement, net of offering costs of \$84,065	999,502	9,995		791,874			801,869
Issuance of common stock for services	300,000	3,000		147,000			150,000
Issuance of common stock in connection with investment in unconsolidated subsidiary	250,000	2,500		122,500			125,000
Repurchase of 13,750 shares of common stock			(7,973)				(7,973)
Issuance of common stock with warrants in private placement, net of offering costs of \$121,138	1,095,512	10,955		659,191			670,146
Issuance of common stock for financing	100,000	1,000		(1,000)			



services

Issuance of common  
stock in considerationfor 100% of the  
common stock of

Microphase

Telecommunications,

Inc.

	2,500,000	25,000	1,685,000	1,710,000
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Net loss				(4,341,059)	(4,341,059)
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Balance, June 30,

1998	13,579,711	\$ 135,797	\$ (7,973)	\$ 4,079,692	\$ 0	\$ (5,122,305)	(914,789)
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The accompanying notes are an integral part of these Consolidated Financial Statements.

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mPHASE TECHNOLOGIES, INC.  
(A Development Stage Company)  
CONSOLIDATED STATEMENTS OF CHANGES IN  
STOCKHOLDERS' EQUITY (DEFICIT)

FOR THE PERIOD FROM INCEPTION (OCTOBER 2, 1996)  
TO JUNE 30, 1997 AND FOR EACH OF THE SIXTEEN YEARS IN THE PERIOD ENDED JUNE 30, 2013

	Common Stock Shares	Par Value 0.01	Treasury Stock	Additional Paid-In Capital	Deferred Compensation	Accumulated Deficit	Total Stockholders' Equity (Deficit)
Balance, June 30, 1998	13,579,711	\$ 135,797	\$ (7,973)	\$ 4,079,692	\$ 0	\$ (5,122,305)	\$ (914,789)
Issuance of common stock with warrants in private placements, net of offering	3,120,000	31,200		2,981,800			3,013,000
Issuance of common stock for services	1,599,332	15,993		8,744,873			8,760,866
Issuance of common stock with warrants in private placement, net of offering	642,000	6,420		1,553,227			1,559,647
Issuance of common stock in private placement, net of offering costs of \$679,311	4,426,698	44,267		10,343,167			10,387,434
Issuance of stock options for services				7,129,890			7,129,890
Issuance of warrants for services				16,302			16,302
Deferred employee stock option compensation					(140,000)		(140,000)
Net loss						(22,838,344)	(22,838,344)
Balance, June 30, 1999	23,367,741	\$ 233,677	\$ (7,973)	\$ 34,848,951	\$ (140,000)	\$ (27,960,649)	\$ 6,974,006
Issuance of common stock	75,000	750		971,711			972,461

and options in settlement								
Issuance of common stock upon exercise of warrants and options	4,632,084	46,321		5,406,938				5,453,259
Issuance of common stock in private placement, net of cash offering costs of \$200,000	1,000,000	10,000		3,790,000				3,800,000
Issuance of common stock in private placement, net of cash offering costs of \$466,480	1,165,500	11,655		9,654,951				9,666,606
Issuance of common stock for services	1,164,215	11,642		8,612,265				8,623,907
Issuance of options for services				9,448,100				9,448,100
Deferred employee stock option compensation				1,637,375	(1,637,375)			
Amortization of deferred employee stock option compensation						551,707		551,707
Net loss							(38,161,542)	(38,161,542)
Balance, June 30, 2000	31,404,540	\$ 314,045	\$ (7,973)	\$ 74,370,291	\$ (1,225,668)	\$ (66,122,191)	\$	7,328,504

The accompanying notes are an integral part of these Consolidated Financial Statements.

mPHASE TECHNOLOGIES, INC.  
(A Development Stage Company)  
CONSOLIDATED STATEMENTS OF CHANGES IN  
STOCKHOLDERS' EQUITY (DEFICIT)

FOR THE PERIOD FROM INCEPTION (OCTOBER 2, 1996)  
TO JUNE 30, 1997 AND FOR EACH OF THE SIXTEEN YEARS IN THE PERIOD ENDED JUNE 30, 2013

	Common Stock Shares	Par Value 0.01	Treasury Stock	Additional Paid-In Capital	Deferred Compensation	Accumulated Deficit	Total Stockholders' Equity (Deficit)
Balance, June 30, 2000	31,404,540	\$ 314,045	\$ (7,973)	\$ 74,370,291	\$ (1,225,668)	\$ (66,122,191)	\$ 7,328,504
Issuance of common stock upon exercise of options	320,000	3,200		324,300			327,500
Issuance of common stock with warrants in private placements, net of cash offering costs of \$512,195	4,329,850	43,298		7,766,547			7,809,845
Issuance of common stock for services	450,000	4,500		1,003,125			1,007,625
Issuance of options and warrants for services				5,849,585			5,849,585
Deferred employee stock option compensation				607,885	(607,885)		
Amortization of deferred employee stock option compensation					1,120,278		1,120,278
Issuance of common stock in settlement of debt to directors and related parties	4,840,077	48,402		2,371,637			2,420,039
Net Loss						(23,998,734)	(23,998,734)
	41,344,467	\$ 413,445	\$ (7,973)	\$ 92,293,370	\$ (713,275)	\$ (90,120,925)	\$ 1,864,642

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Balance June 30, 2001							
Issuance of Common stock with warrants in private placement	6,980,643	69,807	1,903,943				1,973,750
Issuance of Common stock for services	2,976,068	29,760	1,169,241				1,199,001
Issuance of options and warrants for services			1,877,937				1,877,937
Cancellation of unearned options to former employees			(140,802)	140,802			
Amortization of deferred employee stock option compensation					548,550		548,550
Issuance of common stock and warrants in settlement of debt to related parties and strategic vendors	7,492,996	74,930	2,663,728				2,738,658
Sale of Common stock to certain Officers and Directors in private placement	2,000,000	20,000	980,000				1,000,000
Issuance of Common stock upon exercise of options	13,334	133	3,867		4,000		
Net Loss						(11,249,387)	(11,249,387)
Balance, June 30, 2002	60,807,508	\$ 608,075	\$ (7,973)	\$ 100,751,284	\$ (23,923)	\$ (101,370,312)	\$ (42,849)

The accompanying notes are an integral part of these Consolidated Financial Statements.



mPHASE TECHNOLOGIES, INC.  
(A Development Stage Company)  
CONSOLIDATED STATEMENT OF CHANGES IN  
STOCKHOLDERS' EQUITY (DEFICIT)  
FOR THE PERIOD FROM INCEPTION (OCTOBER 2, 1996)  
TO JUNE 30, 1997 AND FOR EACH OF THE SIXTEEN YEARS IN THE PERIOD ENDED JUNE 30, 2013

	Common Stock Shares	Par Value 0.01	Treasury Stock	Additional Paid-In Capital	Deferred Compensation	Accumulated Deficit	Total Stockholders' Equity (Deficit)
Balance, June 30, 2002	60,807,508	\$ 608,075	\$ (7,973)	\$ 100,751,284	\$ (23,923)	\$(101,370,312)	\$ (42,849)
Issuance of Common stock with warrants in private placement, net of Cash offering costs of \$124,687	4,296,680	42,967		1,121,351			1,164,318
Issuance of Common stock for services	426,000	4,260		107,985			112,245
Issuance of options and warrants for services				274,100			274,100
Amortization of deferred employee stock option compensations					23,923		23,923
Issuance of common stock and warrants in settlement of debt to related parties and strategic vendors	5,923,333	59,233		1,826,329			1,885,562
Net Loss						(6,646,185)	(6,646,185)
Balance, June 30, 2003	71,453,521	\$ 714,535	\$ (7,973)	\$ 104,081,049	\$ 0	\$(108,016,497)	\$(3,228,886)
Issuance of common stock with warrants in private placement, net of cash offering	15,177,973	151,779		4,322,934			4,474,713

costs of \$313,200							
Issuance of common stock for services	924,667	9,247		238,153			247,400
Issuance of options and warrants for services				1,067,393			1,067,393
Issuance of common stock pursuant to exercise of warrants	1,233,334	12,333		304,467			316,800
Issuance of common stock and warrants in settlement of debt to related parties and strategic vendors	110,467	1,105		1,962,099			1,963,204
Net Loss						(7,758,586)	(7,758,586)
Balance, June 30, 2004	88,899,962	\$ 888,999	\$ (7,973)	\$ 111,976,095	\$ 0	\$ (115,775,083)	\$ (2,917,962)

The accompanying notes are an integral part of these Consolidated Financial Statements.



mPHASE TECHNOLOGIES, INC.  
(A Development Stage Company)  
CONSOLIDATED STATEMENT  
OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)  
FOR THE PERIOD FROM INCEPTION (OCTOBER 2, 1996)

TO JUNE 30, 1997 AND FOR EACH OF THE SIXTEEN YEARS IN THE PERIOD ENDED JUNE 30, 2013

	Common Stock Shares	Par Value 0.01	Treasury Stock	Additional Paid-In Capital	Accumulated Deficit	Total Stockholders' Equity (Deficit)
Balance, June 30, 2004	88,899,962	\$ 888,999	\$ (7,973)	\$ 111,976,095	\$ (115,775,083)	\$ (2,917,962)
Issuance of Shares in Private Placement	39,853,661	398,535		6,888,553		7,287,088
Issuance of in connection with exercise of warrants	3,637,954	36,380		644,229		680,609
Conversion of Debt to Common stock and warrants	3,895,171	38,952		1,174,134		1,213,086
Options Awarded to Consultants				2,191,043		2,191,043
Options Awarded to Officers				625,290		625,290
Issuance of shares to Officers and consultants for services	1,151,000	11,510		322,500		334,010
Exercise of cashless warrants	4,949,684	49,499		(49,499)		
Exercise of warrants by officers	1,770,400	17,704				17,704
Reparation of Private Placement Offering	891,000	8,910		176,811		185,721
Net Loss					(11,234,324)	(11,234,324)
Balance June 30, 2005	145,048,832	\$ 1,450,489	\$ (7,973)	\$ 123,949,156	\$ (127,009,407)	\$ (1,617,735)
Issuance of common stock pursuant to the exercise of warrants, net of cash expenses of \$108,000	15,720,120	157,201		2,850,523		3,007,724
Issuance of common stock with warrants in private placements, net of cash expenses of \$674,567	72,786,897	727,868		9,329,781		10,057,649
Issuance of common stock for services	11,500,000	115,000		2,324,000		2,439,000
Conversion of related party and strategic vendor debts to common stock	3,331,864	33,319		556,681		590,000

and warrants

Stock options awarded to consultants, employees and officers				3,837,423		3,837,423
Issuance of additional shares and warrant to effect revised pricing on previous private offering charged to expense	29,848,271	298,483		5,232,021		5,530,504
Net loss					(24,450,650)	(24,450,650)
Balance, June 30, 2006	278,235,984	\$ 2,782,360	\$ (7,973)	\$ 148,079,585	\$ (151,460,057)	\$ (606,085)

The accompanying notes are an integral part of these Consolidated Financial Statements.

mPHASE TECHNOLOGIES, INC.  
(A Development Stage Company)  
CONSOLIDATED STATEMENTS OF CHANGES IN  
STOCKHOLDERS' EQUITY (DEFICIT)  
FOR THE PERIOD FROM INCEPTION (OCTOBER 2, 1996)  
TO JUNE 30, 1997 AND FOR EACH OF THE SIXTEEN YEARS IN THE PERIOD ENDED JUNE 30, 2013

	Shares	\$.01 Stated Value	Treasury Stock	Additional Paid in Capital	Deferred Compensation	Accumulated Deficit	Total Stockholders' (Deficit) Equity
Balance June 30, 2006	278,235,984	\$ 2,782,360	\$ (7,973)	\$ 148,079,585		\$ (151,460,057)	\$ (606,085)
Issuance of common stock pursuant to the exercise of warrants (net of cash expenses of \$150,000)	14,740,669	\$ 147,406		\$ 1,922,261			\$ 2,069,667
Issuance of common stock in private placements, (net of cash expenses of \$216,134)	47,958,060	\$ 479,581		\$ 5,711,788			\$ 6,191,369
Issuance of common stock for services	18,172,983	\$ 181,730		\$ 2,486,885	\$ (627,250)		\$ 2,041,365
Conversion of related party and strategic vendor debt to common stock	6,073,728	\$ 60,737		\$ 930,972			\$ 991,709
Issuance of additional shares and warrants to effect repricing	22,664,580	\$ 226,646		\$ 1,647,374			\$ 1,874,020
Stock options awarded to employees and officers				\$ 1,321,853			\$ 1,321,853
Deferred stock compensation					\$ 213,166		\$ 213,166
Net Loss						\$ (16,851,562)	\$ (16,851,562)

Balance June

30, 2007            387,846,004   \$ 3,878,460   \$ (7,973)   \$ 162,100,718   \$ (414,084)   \$ (168,311,619)   \$ (2,754,498)

The accompanying notes are an integral part of these Consolidated Financial Statements.

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mPHASE TECHNOLOGIES, INC.  
(A Development Stage Company)  
CONSOLIDATED STATEMENT OF CHANGES IN  
STOCKHOLDERS' EQUITY (DEFICIT)  
FOR THE PERIOD FROM INCEPTION (OCTOBER 2, 1996)

TO JUNE 30, 1997 AND FOR EACH OF THE SIXTEEN YEARS IN THE PERIOD ENDED JUNE 30, 2013

	Shares	\$.01 Par Value	Treasury Stock	Additional Paid in Capital	Deferred Compensation	Accumulated Deficit	Total Stockholders' (Deficit) Equity
Balance June 30, 2007	387,846,004	\$ 3,878,460	\$ (7,973)	\$ 162,100,718	\$ (414,084)	\$(168,311,619)	(2,754,498)
Issuance of common stock in private placements net of \$116,253 offering cost	24,600,000	\$ 246,000		\$ 898,247			\$ 1,144,247
Exercise of Warrants net of Offering Cost \$72,222	11,111,113	\$ 111,111		\$ 538,889			\$ 650,000
Contingent liability recorded on warrant exercise above	1,019,200	\$ 10,192		(1,006,200)			(1,006,200)
Common shares in settlement of accrued expenses				\$ 89,808			\$ 100,000
Issuance of additional shares effect repricing	4,663,741	\$ 46,637		\$ 345,401			\$ 392,038
Stock options/warrants awarded to employees and investors				\$ 85,682			\$ 85,682
Stock based compensation	1,000,000	10,000		\$ 90,192			\$ 100,192
Amortization of deferred stock compensation					414,084		\$ 414,084
				\$ 514,000			\$ 514,000

Investment in Granita						
Conversion of debt	4,904,942	\$ 49,050		\$ 192,073		\$ 241,123
Cost related to convertible debt financing	5,250,000	\$ 52,500		\$ 212,500		\$ 265,000
Net Loss					\$ (3,383,821)	\$ (3,383,821)
Balance June 30, 2008	440,395,000	\$ 4,403,950	\$ (7,973)	\$ 164,061,310	0	\$ (171,695,440) \$ (3,238,153)

The accompanying notes are an integral part of these Consolidated Financial Statements

mPHASE TECHNOLOGIES, INC.  
(A Development Stage Company)  
CONSOLIDATED STATEMENT OF CHANGES IN  
STOCKHOLDERS' EQUITY (DEFICIT)  
FOR THE PERIOD FROM INCEPTION (OCTOBER 2, 1996)  
TO JUNE 30, 1997 AND FOR EACH OF THE SIXTEEN YEARS IN THE PERIOD ENDED JUNE 30, 2013

	Shares	\$.01 Par Value	Treasury Stock	Additional Paid in Capital	Accumulated Deficit	Total Stockholders' (Deficit) Equity
Balance June 30, 2008	440,395,000	\$ 4,403,950	\$ (7,973)	\$ 164,061,310	\$ (171,695,440)	\$ (3,238,153)
Issuance of common stock in private placements net of offering cost (\$80,000)	72,333,333	\$ 723,333		\$ (3,333)		\$ 720,000
Issuance of additional shares effect repricing	19,522,000	\$ 195,220		\$ 236,952		\$ 432,172
Stock options/ warrants awarded to employees and investors				\$ 4,071,348		\$ 4,071,348
Stock based compensation	61,750,000	\$ 617,500		\$ 2,908,115		\$ 3,525,615
Vendor settlements	(1,926,470)	\$ (19,265)		\$ 19,265		\$ 0
Beneficial Conversion feature of Notes Payable, including \$914,060 on Officers' Notes Payable				\$ 1,028,560		\$ 1,028,560
Forgiveness of related party debt				\$ 19,336		\$ 19,336
Conversion of debt securities and interest	278,346,019	\$ 2,783,459		\$ 519,874		\$ 3,303,333
Net Loss					\$ (15,096,379)	\$ (15,096,379)
Balance June 30, 2009	870,419,882	\$ 8,704,197	\$ (7,973)	\$ 172,861,427	\$ (186,791,817)	\$ (5,234,168)

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

mPHASE TECHNOLOGIES, INC.  
(A Development Stage Company)  
CONSOLIDATED STATEMENT OF CHANGES I  
STOCKHOLDERS' EQUITY (DEFICIT)  
FOR THE PERIOD FROM INCEPTION (OCTOBER 2, 1996)  
TO JUNE 30, 1997 AND EACH OF THE SIXTEEN YEARS IN THE PERIOD ENDED JUNE 30, 2013

	Common Stock Shares	Common Stock \$.01 Par Value	Treasury Stock	Additional Paid in Capital	Accumulated Deficit	Total Stockholders' (Deficit)
Balance June 30, 2009	870,419,882	\$ 8,704,197	\$ (7,973)	\$ 172,861,427	\$ (186,791,819)	\$ (5,234,168)
Conversions of Convertible Debentures plus accrued interest	232,723,736	2,327,238	-	1,088,012	-	3,415,250
Conversions of Accounts Payable	26,666,667	266,667	-	(66,667)	-	200,000
Issuance of common stock in private placements net of offering cost (\$25,000)	30,666,667	306,667	-	(81,667)	-	225,000
Issuance of Common Stock for Services	1,575,000	15,750	-	18,563	-	34,313
Issuance of Common Stock for Reparations	1,700,000	17,000	-	18,530	-	35,530
Beneficial Conversion feature of Officers' Notes Payable and conversion of accounts payable	-	-	-	669,276	-	669,276
Cancellation of Capital Notes in Subsidiary issued in connection with equity	-	-	-	175,820	-	175,820
Net Loss for the Year Ended June 30, 2010	-	-	-	-	(7,365,745)	(7,365,745)
Balance June 30, 2010	1,163,751,952	\$ 11,637,519	\$ (7,973)	\$ 174,683,294	\$ (194,157,564)	\$ (7,844,724)

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





mPHASE TECHNOLOGIES, INC.  
(A Development Stage Company)  
CONSOLIDATED STATEMENT OF CHANGES IN  
STOCKHOLDERS' EQUITY (DEFICIT)  
FOR THE PERIOD FROM INCEPTION (OCTOBER 2, 1996)  
TO JUNE 30, 1997 AND EACH OF THE SIXTEEN YEARS IN THE PERIOD ENDED JUNE 30, 2013

	Common Stock Shares	Common Stock \$.01 Par Value	Treasury Stock	Additional Paid in Capital	Accumulated Deficit	Stockholders' (Deficit) Equity
Balance July 1, 2010	1,163,751,952	\$ 11,637,519	\$ (7,973)	\$ 174,683,294	\$ (194,157,564)	\$ (7,844,724)
Conversions of Convertible Debentures plus accrued interest	382,175,312	3,821,753		(1,474,857)		2,346,896
Issuance of Common Stock for Services	15,075,000	150,750		(23,805)		126,945
Issuance of Common Stock to accredited investors in private placement, net of \$29,500 fees	67,500,000	675,000		(409,500)		265,500
Net Loss for the Year Ended June 30, 2011					(486,391)	(486,391)
Balance June 30, 2011	1,628,502,264	16,285,022	(7,973)	172,775,132	\$ (194,643,955)	(5,591,774)

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' EQUITY (DEFICIT)  
FOR THE PERIOD FROM INCEPTION (OCTOBER 2, 1996)  
TO JUNE 30, 1997 AND FOR EACH OF THE SIXTEEN YEARS IN THE PERIOD ENDED JUNE 30, 2013

	Common Stock Shares	Common Stock \$.001 Par Value	Treasury Stock	Additional Paid in Capital	Deferred Compensation	Accumulated Deficit	Shareholders' (Deficit) Equity
Balance June 30, 2011	1,628,502,264	\$ 16,285,022	\$ (7,973)	\$ 172,775,132	\$ -	\$ (194,643,955)	\$ (5,591,774)
To reflect restatement of \$.01 par value to \$.001 par		\$ (14,656,520)		\$ 14,656,520			
Balance June 30, 2011, restated for par \$.001 value	1,628,502,264	\$ 1,628,502	\$ (7,973)	\$ 187,431,652	\$ -	\$ (194,643,955)	\$ (5,591,774)
Conversions of Convertible Debentures plus accrued interest	716,962,140	716,962		1,097,406			1,814,368
Issuance of Common Stock for Services	1,035,000,000	1,035,000	-	5,485,500	-	-	6,520,500
Deferred stock compensation	-	-	-	339,700	(339,700)	-	-
Beneficial Conversion feature of Notes Payable, including \$2,320 on Officers' Notes Payable				2,320			2,320

Issuance of Common Stock to accredited investors in private placement, net of \$13,000 fees	170,000,000	170,000		(43,000)			127,000
Amortization of deferred stock compensation	-	-	-	-	141,543	-	141,543
Common Stock issued to cover Commitment and Transaction Fees of Equity Line of Credit	26,000,000	26,000		98,800			124,800
Common Stock issued to cover the exercise of Put advances under Equity Line of Credit, net of \$13,500 transaction fees	89,587,447	89,587		55,841			145,428
Net Loss for the Fiscal Year Ended June 30, 2012	-	-	-	-	-	(8,786,952)	(8,786,952)
Balance June 30, 2012	3,666,051,851	3,666,051	(7,973)	194,468,219	\$ (198,157)	\$ (203,430,907)	\$ (5,502,767)

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' EQUITY (DEFICIT)  
FOR THE PERIOD FROM INCEPTION (OCTOBER 2, 1996)  
TO JUNE 30, 1997 AND FOR EACH OF THE SIXTEEN YEARS IN THE PERIOD ENDED JUNE 30, 2013

	Common Stock			Additional	Deferred	Accumulated	Shareholders'
	Shares	\$.001 Par Value	Treasury Stock	Paid in Capital	Compensation	Deficit	(Deficit) Equity
Balance June 30, 2012	3,666,051,851	\$ 3,666,051	\$ (7,973)	\$ 194,468,219	\$ (198,157)	\$ (203,430,907)	\$ (5,502,767)
Issuance of Common Stock to accredited investors in private placements, net of \$28,500 fees and \$92,000 of reparation expense	1,322,250,000	1,322,250	-	(743,250)	-	-	579,000
Amortization of deferred stock compensation	-	-	-	-	169,852	-	169,852
Common Stock issued to cover the exercise of Put advances under Equity Line of Credit, net of \$8,920 transaction fees	42,412,553	42,412		37,641			80,053
Conversions of Convertible Debentures plus accrued interest	40,451,179	40,451		(1,451)			39,000
	-	-	-	-	-	(260,634)	(260,634)

Net Loss for  
the Year Ended  
June 30, 2013

Balance June

30, 2013      5,071,165,583    \$ 5,071,164    \$ (7,973)    \$ 193,761,159    \$ (28,305)    \$ (203,691,541)    \$ (4,895,496)

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

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

	For the FYE June 30, June 30, 2012	June 30, 2013	October 2,1996 (Date of Inception) To June 30, 2013
<b>Cash Flow From Operating Activities:</b>			
Net Income (Loss) From Continuing Operations	\$ (8,791,734)	\$ (1,140,815)	\$ (60,032,691)
Net Income (Loss) From Discontinued Operations	\$ 4,782	880,181	\$ (143,658,850)
<b>Adjustments to reconcile net loss to net cash used in operating activities:</b>			
Depreciation and amortization	17,971	15,972	\$ 7,494,729
(Gain) loss on debt extinguishments	(7,782)	(953,641)	\$ (2,303,942)
Non-cash charges relating to issuance of common stock, common stock options and warrants	6,645,300	-	\$ 77,023,989
Reparation charges	-	92,000	\$ 8,356,264
Derivative Value and Debt Discount charges (credits)	320,480	(557,918)	\$ 1,845,889
Write off of Granita Inventory/ Sovereign Investment	-	-	\$ 615,910
Other non cash charges including amortization of deferred compensation and beneficial conversion interest expense	145,234	169,852	\$ 3,027,987
<b>Changes in assets and liabilities:</b>			
Accounts receivable	-	-	\$ 427,876
Inventories	16,038	15,810	\$ (581,155)
Prepaid expenses and Other current assets	8,589	3,640	\$ 58,048
Other	(12,500)	-	\$ 894,035
Accounts payable, Accrued expenses, Deferred revenue	473,152	579,287	\$ 10,030,907
<b>Due to/from related parties</b>			
Microphase / Janifast//Lintel	13,386	2,956	\$ 5,517,143
Officers and Other	75,140	198,000	\$ 1,984,497
Net cash used in operating activities	\$ (1,091,944)	\$ (694,676)	\$ (89,299,364)
<b>Cash Flow from Investing Activities:</b>			
Payments related to patents and licensing rights	-	-	\$ (450,780)
Purchase of fixed assets	(7,129)	-	\$ (3,315,622)
Investment in Sovereign	-	-	\$ (110,000)
Net Cash (used) in investing activities	\$ (7,129)	\$ 0	\$ (3,876,402)
<b>Cash Flow from Financing Activities:</b>			
Proceeds from issuance of common stock, exercises of warrants, net of finders fees	322,428	567,053	\$ 84,028,860
Payment of short term notes & equipment loans	(11,486)	(11,735)	\$ (1,322,020)
Advances from Microphase	-	-	\$ 347,840
Issuance of Convertible Debentures	645,000	115,000	\$ 1,526,500
Repayment of Convertible Debentures	-	(72,500)	\$ (72,500)
Net Proceeds (Repayment) from notes payable related parties	181,300	(14,500)	\$ (257,859)

Proceeds from the collection of Notes Receivable under securities purchase agreements	-	-	\$	8,339,500		
Sale of minority interest in Granita subsidiary	-	-	\$	514,000		
Net cash provided by financing activities	1,137,242	655,818	\$	93,176,821		
Net increase (decrease) in cash	\$	38,169	\$	(38,858)	\$	1,055
CASH AND CASH EQUIVALENTS, beginning of period	\$	1,744	\$	39,913		-
CASH AND CASH EQUIVALENTS, end of period	\$	39,913	\$	1,055	\$	1,055

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



mPHASE TECHNOLOGIES, INC.  
(A DEVELOPMENT STAGE COMPANY)  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2013

## 1. ORGANIZATION AND NATURE OF BUSINESS

mPhase, a New Jersey corporation founded in 1996, is a publicly-held company with over 23,000 shareholders and approximately 4 billion shares of common stock outstanding as of June 30, 2012. The Company's common stock is traded on the Over the Counter Bulletin Board under the ticker symbol XDSL.

The Company is in the development stage and historically has focused much of its efforts in the commercial deployment of its TV+ products for delivery of broadcast IPTV, and DSL component products which include POTS splitters. Beginning in 2004, the Company added a new line of power cell batteries and electronic sensors (magnetometers) being developed through the use of nanotechnology. Since mPhase is in the development stage, the accompanying consolidated financial statements should not be regarded as typical for normal operating periods.

In recent years, the Company has shifted its primary business focus to the development of innovative power cells and related products through the science of microfluidics, microelectromechanical systems (MEMS) and nano-technology. Using these disciplines, it has developed a battery that has a significantly longer shelf life prior to activation than conventional batteries. In addition, such battery product, unlike conventional batteries, is capable of disposal after use without harm to the environment.

On April 17, 2007, the Company announced that it had formed AlwaysReady, Inc., a New Jersey Corporation, as a new wholly-owned subsidiary. The Company planned to transfer all of its nanotechnology assets and appropriate liabilities to such company so as to separate its nanotechnology product line from its IPTV product. Although management and staff of AlwaysReady Inc were hired, the Company funded all operations of Always Ready, Inc. to date and no assets or liabilities have been transferred.

On June 20, 2007, the Company announced the formation of a new subsidiary, Granita Media, Inc. ("Granita"), a Delaware corporation, to promote and develop its IPTV product line including targeted advertising and middleware solution. Capitalization of Granita amounted to \$514,000 of equity, provided by employees and independent investors. During FYE June 30, 2008, related assets and liabilities were transferred to Granita and its results consolidated into the these financial statements. Additional funding was to have been arranged from outside institutional financing and potentially involve the sale of up to 10% of the common stock of Granita with mPhase retaining 90% of the stock of Granita. Owing to very challenging conditions in the capital markets, Granita was unable to raise funds necessary to operate as a self-sufficient enterprise and fund the additional software development necessary for a targeted advertising enhancement capability of its TV+ solution. In order to conserve financial resources, all employees of Granita were either terminated or had resigned by December 31, 2007. (See also Note 6.) As of June 30, 2010, the Company has treated Granita as a discontinued business.

We are headquartered in Norwalk, Connecticut with an office in EAST RUTHER FORD, NJ. mPhase shares common office space with Microphase Corporation, a privately held company in which the CEO of the company owns a minority interest. Microphase is a leader in the field of radio frequency and filtering technologies within the defense and telecommunications industry. It has been in operation for over 50 years and has supported mPhase with engineering, administrative and financial resources.



mPHASE TECHNOLOGIES, INC.  
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## 2. LOSSES DURING THE DEVELOPMENT STAGE AND MANAGEMENT'S PLANS

Through June 30, 2013, the Company incurred development stage losses totaling approximately \$(203,691,541) and at June 30, 2013 had a working capital deficit of \$(4,410,117). Funding in our traditional capital markets was difficult during FYE 2012 and 2013.

The Company was able to enter into convertible debt arrangements and an equity line of credit and private placements of equity with independent investors to provide liquidity and capital resources during the last two fiscal years. Such arrangements have provided the Company with cash in the amounts of \$967,428 and \$682,052 during FYE 2012 and 2013 respectively. In addition and from time to time during FYE 2012 and 2013, the Company raised necessary working capital via bridge loans from officers. Such loans have received partial repayments in FYE 2013 of \$14,500 and provided \$181,300 of working capital in FYE 2012 (see notes payable to officers).

The Company is currently focused on the continued development and commercialization of its "Always Ready" battery product using the science of nanotechnology. The Company believes that such battery has a much longer shelf life than conventional batteries and will have significant commercial and military applications. The Company is also actively working on the commercialization and marketing of its emergency flashlight, the mPower Emergency Illuminator. The Company has suspended development of its magnetometer sensor devices and discontinued all activities related to its IPTV business. It is unclear whether any intellectual property related to those operations will have significant value.

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) successfully develop, market and sell its products. The Company believes that it will be able to complete the necessary steps in order to meet its cash flow requirements throughout fiscal 2013 and continue its development and commercialization efforts.

However, there can be no assurance that mPhase will generate sufficient revenues to provide positive cash flows from operations or that sufficient capital will be available, when required, to permit the Company to realize its plans. The accompanying consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of mPhase and its wholly-owned and majority owned subsidiaries. Significant inter-company accounts and transactions have been eliminated in consolidation.

### 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 period. Actual results could differ from those estimates.

#### RECLASSIFICATIONS

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

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mPHASE TECHNOLOGIES, INC.  
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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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.

PROPERTY AND EQUIPMENT

Property and equipment is recorded at cost. Depreciation is provided on the straight-line method over the estimated useful lives of three to five years.

REVENUE RECOGNITION

As required, mPhase has adopted the Securities and Exchange Commission ("SEC") Staff Accounting Bulletin ("SAB") No. 104, "Revenue Recognition in Financial Statements," which provides guidelines on applying generally accepted accounting principles to revenue recognition based on the interpretations and practices of the SEC. The Company recognizes revenue on its research grant contract upon delivery of milestones defined in the contract, at the fixed predetermined price under the contract in which payment is reasonably expected as enumerated in SAB104.

RESEARCH AND DEVELOPMENT

Research and Development cost are charged to operations when incurred. The amounts charged to expense for the years ended 2012, 2013 and inception to date were \$53,374, \$125,982 and \$12,436,618 for continuing operations respectively.

PATENTS AND LICENSES

Patents and licenses are capitalized when mPhase determines there will be a future benefit derived from such assets, and are stated at cost. Amortization is computed using the straight-line method over the estimated useful life of the asset, generally five years. As of June 30, 2012 and 2013, the book value of such assets has been fully amortized.

INVENTORIES

The Company uses the First In First Out method (FIFO) to account for inventory which is carried at the lower of market value or cost. As of June 30, 2012 and June 30, 2013, the inventory related to the Emergency Flashlight was valued at \$86,494 and \$70,684, net of a \$12,810 and \$23,935 reserve, respectively.

mPHASE TECHNOLOGIES, INC.  
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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

LONG-LIVED ASSETS

The Company reviews long-term assets for impairment whenever events or circumstances indicate that the carrying amount of those assets may not be recoverable. The Company also assesses these assets for impairment based on their estimated future cash flows.

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 investors 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. Reparations expenses have amounted to \$0, \$92,000 and \$8,356,264 for the years ended 2012, 2013 and inception to date, respectively.

LOSS PER COMMON SHARE, BASIC AND DILUTED

mPhase accounts for net loss per common share in accordance with the requirements FASB ASC 260 Earnings Per Share. Basic loss per share is computed by dividing net loss by the weighted average number of shares of common stock outstanding during the period. Diluted earnings per share is computed by dividing net loss adjusted for income or loss that would result from the assumed conversion of potential common shares from contracts that may be settled in stock or cash by the weighted average number of shares of common stock, common stock equivalents and potentially dilutive securities outstanding during each period. The Company had warrants and options and convertible debentures (if funded in full – see note 8) outstanding at June 30, 2013, convertible into, respectively, approximately 0 and 104,675,000 and 104,135,255 immediately (and additionally up to 919,857,697 shares of the Company's common stock could be required for Convertible Notes held by John Fife and JMJ Financial depending on the outcome of certain disputes between the Company and each of such Convertible Noteholders) based upon the conversion terms at June 30, 2013. The Company has also granted a conversion feature to certain officers for notes outstanding, giving these note holders the right to convert principal and interest outstanding, subject to availability, into 331,384,000 shares of the Company's common stock based on a \$.0040 per share conversion price (see note 9). The inclusion of the warrants and potential common shares to be issued in connection with convertible debt have an anti-dilutive effect on diluted loss per share and have been omitted in such computation.

BUSINESS CONCENTRATIONS AND CREDIT RISK

To date, the Company's products have been sold to a limited number of customers, earlier primarily in the telecommunications and defense industry and recently including some sales of the Emergency Illuminator. In fiscal year ended 2011, revenue was derived from research contracts with the U.S. Army and sales of the Company's mPower emergency illuminator. Throughout the year, cash balances that the Company maintains at financial institutions may exceed the Federal Deposit Insurance Corporation insurance limitation of up to \$250,000. Cash balances exceeded FDIC insured limits at times throughout the years ended June 30, 2012 and 2013.

MATERIAL EQUITY INSTRUMENTS

The Company has material equity instruments including convertible debentures and convertible notes that are accounted for as derivative liabilities (SEE Note-8) and options and warrants that are evaluated quarterly for potential reclassification as liabilities pursuant to current accounting guidance.

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mPHASE TECHNOLOGIES, INC.  
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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

DEBT DISCOUNTS

Costs incurred with parties who are providing the actual long-term financing, which generally may include the value of warrants, fair value of the derivative conversion feature, or the intrinsic value of conversion features associated with the underlying debt, are reflected as a debt discount. These costs and discounts are generally amortized over the life of the related debt.

DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives are 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. 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. During the fiscal years ended June 30, 2012 and June 30, 2013, the Company utilized an expected life of 20 days based upon the look-back period of its convertible debentures and notes and a volatility of 100%.

INCOME TAXES

The Company accounts for income taxes in accordance with accounting guidance now codified as Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 740, "Income Taxes." Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. At June 30, 2011 and 2012, the Company had a full valuation allowance against its deferred tax assets.

Effective July 1, 2007, the Company adopted the provisions of FASB ASC 740-10-05, "Accounting for Uncertainties in Income Taxes." The ASC clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements. The ASC prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return.

The Company files U.S. and state income tax returns with various statutes of limitations. The 2008 through 2011 tax years generally remain subject to examination by federal and most state tax authorities.

The Company recognizes interest accrued and penalties related to unrecognized tax benefits, if any, in interest and operating expenses. No interest or penalties was recorded as of June 30, 2012 and 2013.

ESTIMATED FAIR VALUE OF FINANCIAL INSTRUMENTS



The Company's financial instruments include cash, accounts payable, long term debt, line of credit, convertible debt and due to related parties. Management believes the estimated fair value of cash, accounts payable and debt instruments at June 30, 3 approximate their carrying value as reflected in the balance sheets due to the short-term nature of these instruments or the use of market interest rates for debt instruments. Fair value of due to related parties cannot be determined due to lack of similar instruments available to the Company.

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## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

## NEW ACCOUNTING PRONOUNCEMENTS

In May 2011, the Financial Accounting Standards Board issued ASU 2011-04 Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS (“ASU 2011-04”), which is intended to result in convergence between U.S. GAAP and International Financial Reporting Standards requirements for measurement of, and disclosures about, fair value. ASU 2011-04 clarifies or changes certain fair value measurement principles and enhances the disclosure requirements particularly for Level 3 fair value measurements. The new guidance is effective for our third quarter of the fiscal year ending June 30, 2012, and its adoption to did not have a material effect on our financial position or results of operations.

In October 2012, the FASB issued ASU2012-04, Technical Corrections and Improvement which contains amendments to make technical corrections, clarifications, and limited-scope improvements to various topics throughout the Codification. The amendments apply to all reporting entities within the scope of the affected accounting guidance. For public entities, the amendments that are subject to the transition guidance will be effective for fiscal periods beginning after December 15, 2012 (our fiscal 2016). We do not anticipate the adoption of this amendment to have a material impact on our consolidated financial statements.

In January 2013, the FASB issued ASU 2013-01, Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities. This update amends ASC 210, “Balance Sheet,” specifically the disclosure requirements created by ASU 2011-11, Disclosures About Offsetting Assets and Liabilities, issued by the FASB in December 2011. This update clarifies the scope of these disclosure requirements to be applicable only to derivatives and securities borrowing and lending transactions that are offset in accordance with GAAP or are subject to an enforceable master netting arrangement or similar agreement. The disclosure requirements continue to be effective for annual reporting periods, and interim periods within those years, beginning on or after January 1, 2013, which will be fiscal 2014 for the Company. Based on the scope clarification of this update, the Company does not believe it has any financial instruments requiring these disclosures but will continue to evaluate this assessment.

In July 2013, the FASB issued ASU2013-11, Income Taxes, which applies to all entities that have unrecognized tax benefits when a net operating loss, a similar tax loss, or a tax credit carryforward exists at the reporting date. The amendments in this update are effective for fiscal years, and interim periods within those years, beginning after December 15, 2013 (our fiscal 2017). We do not anticipate the adoption of this amendment to have a material impact on our consolidated financial statements.

SUPPLEMENTAL CASH FLOW INFORMATION	For the FYE June 30,	
	2012	2013
Statement of Operation Information:		
Commitment fee on equity line of credit	\$ 124,800	\$ -
Fee on Amendment to Convertible Debt Arrangement	\$ -	\$ -
Contractual charges for conversions with floor prices (included in Net (Charges) Credits from Convertible Debt)	\$ 1,069,614	\$ -

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Interest Accrued Unpaid	\$ 137,945	\$ 420,380
Interest Paid (net interest income)	\$ 25,227	\$ 10,552

Non Cash Investing and Financing Activities:

Beneficial Conversion of Officers' Notes and Conversion of Accounts Payable	\$ 2,320	\$ -
Conversion of Convertible Debt and Related Expenses	\$ 1,814,368	\$ 39,000

mPHASE TECHNOLOGIES, INC.  
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#### 4. PROPERTY AND EQUIPMENT

Property and equipment, at cost, consist of the following:

	2012	2013
Research Equipment	\$ 48,383	\$ 48,383
Office and Marketing	142,280	142,280
Gross Cost	190,663	190,663
Less Accumulated Depreciation	(157,522)	(173,494)
Net Property and Equipment	\$ 33,141	\$ 17,169

Depreciation expense for the years ended June 30, 2012 and 2013 was \$17,971 and \$15,972 respectively, of which \$3,474 and \$3,972, respectively, relates to research laboratory and testing equipment included in research and development expense.

#### 5. ACCRUED EXPENSES

Accrued expenses consist of the following as of each Balance Sheet date:

	For the FYE June 30,	
	2012	2013
Accrued Interest- Convertible Debentures	\$ 14,280	\$ 143,756
Other Expenses	\$ 77,341	\$ 82,853
Total	\$ 91,591	\$ 226,609

mPHASE TECHNOLOGIES, INC.  
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## 6. GRANITA MEDIA

Effective July 1, 2007, the Company formed Granita Media, Inc. to separate its IPTV business and facilitate the raising of capital. Pursuant to an arrangement with four employees of mPhase, such employees were terminated from mPhase as of July 1, 2007 and became employees of Granita Media Inc and invested solely in the common stock of Granita Media Inc. Under the arrangement, each of the four employees were required to invest \$125,000 in exchange for an aggregate 2% equity interest in Granitia Media, Inc, with mPhase continuing to own 98% of the Company. The four employees contributed a total of \$339,000 of the total \$500,000 equity investment required from them and raised from third party investors another \$175,000 for a total of \$514,000. Granita Media has 19,000,000 shares of common stock outstanding of which 18,000,000 was owned by mPhase Technology and 1,000,000 was being held for issuance to the four employees and the third party investors pending an agreement among such persons of the allocation of such shares. Under the terms of the arrangement between mPhase and the four employees, such employees were authorized to sell up to 7.99% of additional equity in the Company for a total of not less than \$2,000,000 of additional capital by December 31, 2007. As noted above, the employees raised a total of \$175,000 of outside capital only and pursuant to the arrangement, such employees either resigned or were terminated by mPhase together with several lower level employees of Granita. A dispute arose between Granita Media and one of the former employees with respect to a sum of approximately \$176,000 included in short term loans. It is the Company's position that such sums were voluntarily advanced to fund operating expenses after July 1, 2007. Since the four employee/officers of Granita Media were required to cover operating expenses of Granita Media after July 1, 2007 through equity investments either directly or from third parties, the Company took the position that neither such amount nor any related interest and fees are owed to the employee. In addition, the Company had substantial rights of offset for unpaid rent with respect to the portion of its Little Falls office occupied by Granita Media after July 1, 2007. Granita Meida, Inc. ceased operations in December of 2007. In the fourth quarter of fiscal year 2010, the Company elected to treat Granita Media, Inc. as a discontinued operation.

## 7. SHORT TERM NOTES PAYABLE

Short term debt is comprised of the following:

	June 30, 2012	June 30, 2013
Note payable to Granita Employee (See note #6) Note payable to law firm bearing 8% interest, originally monthly installments of \$5,000 per month commencing in June 2002 and continuing through December 1, 2003 with a final payment of principal plus accrued interest due at maturity on December 31, 2003, this note was in arrears as of June 30, 2004 and the company negotiated a new settlement arrangement as of August 31, 2004. Under such settlement agreement, the Company made a \$100,000 cash payment and gave a cashless warrant to purchase \$150,000 worth of common stock valued at \$.25 per share. In addition, the Company agreed to pay \$25,000 on each of December 1, 2004, March 1, 2005, June 1, 2005, September 1, 2005 and \$50,000 on December 1, 2005. Thereafter, the Company was obligated to pay \$25,000 on each of March 1, 2006, June 1, 2006, September 1, 2006 with a final payment of \$75,000 on December 1, 2006, of which \$10,000 was paid in 2008. The Company is currently in default with respect to the remainder.	\$ 0	\$ 0

Total Short Term Notes	\$	65,000	\$	65,000
	\$	65,000	\$	65,000

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mPHASE TECHNOLOGIES, INC.  
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## 8. STOCKHOLDERS' EQUITY

mPhase initially authorized capital of 50,000,000 shares of common stock with no par value. On February 23, 2000, the Board of Directors proposed, and on May 22, 2000 the shareholders approved, an increase in the authorized capital to 150,000,000 shares of common stock. On June 15, 2004, a Special Meeting of Shareholders of the Company approved a proposal by the Company to amend the Company's Certificate of Incorporation under New Jersey law to increase the authorized shares of common stock from 150 million to 250 million shares and change the par value of all shares of common stock from no par to \$0.01 par stock. Effective June 2005, June 2006, and June 2008, the Company received authorization to increase the number of authorized shares to 500 million, 900 million and 2 billion, respectively. A further increase in the number of authorized shares of common stock to 6 billion was approved at a Special Meeting of Shareholders of the Company held on June 29, 2011. 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 Statement of Changes in Stockholders' Deficit were presented at the \$.001 par value for the fiscal years ended June 30, 2012 and 2013.

All other debt converted involved long term convertible debentures which are discussed below:

### 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.





mPHASE TECHNOLOGIES, INC.  
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8. STOCKHOLDERS' EQUITY- (continued)

Long Term Convertible Debentures / Notes Receivable / Debt Discount

The Company had 12 separate convertible debt arrangements with independent investors that were in effect at various times during the two fiscal years ended June 30, 2013, 5 of which were still active as of June 30, 2013.

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.

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.

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.

mPHASE TECHNOLOGIES, INC.  
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8. STOCKHOLDERS' EQUITY- (continued)

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 December 15, 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.

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8. STOCKHOLDERS' EQUITY- (continued)

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, 2012 and June 30, 2013, the combined arrangements with JMJ in this note would be convertible into 200,515,000 and 219,050,990 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 a 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.

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8. STOCKHOLDERS' EQUITY- (continued)

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.



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8. STOCKHOLDERS' EQUITY- (continued)

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.

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 be convertible into 700,806,707 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.

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8. STOCKHOLDERS' EQUITY- (continued)

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.

Arrangement #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 \$43,598, 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 \$0. 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.

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## 8. STOCKHOLDERS' EQUITY- (continued)

## 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 \$53,000 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 \$60,418 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 57,668,070 shares of common stock.

The following table summarizes notes payable under convertible debt and debenture agreements as of June 30, 2012 and June 30, 2013:

Arrangement #3 - JMJ Financial, Inc	\$ 802,060	\$ 802,060
Arrangement #6 - St. George Investments	\$ 720,157	\$ 720,157
Arrangement #8 -Asher Enterprises, Inc. # II	\$ 35,000	\$ -
Arrangement #9-Asher Enterprises, Inc. III	\$ 37,500	\$ -
Arrangement #10-Asher Enterprises, Inc. IV	\$ -	\$ -
Arrangement #11-Black Arch Opportunity Fund L.P.	\$ -	\$ 30,000
Arrangement #12 -Asher Enterprises V	\$ -	\$ 53,000
total notes payable	\$ 1,594,717	\$ 1,605,217
less: unamortized debt discount	\$ (128,793)	\$ (0)
Convertible Notes payable, net of discount	\$ 1,465,924	\$ 1,605,217
Convertible Notes payable-short term portion	\$ 522,980	\$ 1,314,692
Convertible Notes payable-long term portion	\$ 942,944	\$ 295,431

As of June 30, 2013 maturities of notes payable under convertible debt and debenture agreements are as follows:

FYE 6-30-14	\$ 1,314,692
FYE 6-30-15	\$ 290,525
total notes payable	\$ 1,605,217
less: unamortized debt discount	\$ -
Convertible debentures, net of discount	\$ 1,605,217



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8. STOCKHOLDERS' EQUITY- (continued)

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.

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.



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8. STOCKHOLDERS' EQUITY- (continued)

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 30, 2013, the Company has received \$228,481 proceeds; \$145,428 and \$80,053 in Fiscal Years Ended June 30, 2012 and 2013, under the Equity Line relating to the resale of 132,000,000 shares of the Company's common stock, 89,587,447 shares and 42,412,553 shares in Fiscal Years Ended June 30, 2012 and 2013, net of \$22,420 of aggregate 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. (SEE NOTE 13-Subsequent events)

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.

The officers' notes plus accrued interest are convertible into approximately 331,384,000 shares of the Company's common stock based upon the conversion terms at June 30, 2013.

Other Equity

During the years ended June 30, 2008 and 2009, the Company reevaluated warrants contracts to purchase 13,104,168 shares at fixed prices ranging from \$.05 to \$.15 per share originally issued during fiscal year ended June 30, 2008 pursuant to FASB Standards Codification Topic 815 (previously known as EITF 00-19). Such reevaluation was to review if the Company should record an additional derivative liability which would be recordable if the other convertible instruments the Company has outstanding, primarily the convertible debentures discussed above, would limit or prevent the Company from honoring the conversion of these fixed price warrants during their contract term. The evaluation was performed on a contract by contract basis on equity instruments subject to FASB Standards Codification Topic 815 (previously known as EITF 00-19), namely warrants discussed above and the convertible debenture agreements. The Company utilized a sequencing method prescribed by FASB Standards Codification Topic 815 (previously known as EITF 00-19), applying shares available to contracts with the earliest inception date first.

During the year ended June 30, 2013, the Company's annual evaluation included a review if the Company should record an additional derivative liability which would be recordable if the other convertible instruments the Company has outstanding, primarily the convertible debentures discussed above, would limit or prevent the Company from honoring the conversion of new or existing convertible instruments during their contract term. The evaluation was performed on a contract by contract basis on equity instruments subject to FASB Standards Codification Topic 815

(previously known as EITF 00-19), namely all convertible debenture agreements. The Company utilized a sequencing method prescribed by FASB Standards Codification Topic 815 (previously known as EITF 00-19), applying shares available to contracts with the earliest inception date first. As a result of the evaluation for the year ended June 30, 2013, all amounts recorded for debt discount on convertible instruments were reduced to zero, resulting in the full expensing of the original derivative liability of new agreements this period, as well as recording a derivative liability ending balance for each convertible instrument due to the potential limitations on share availability for conversions.

During the fiscal year ended June 30, 2008, the Company reclassified contracts for warrants to purchase 12,604,168 shares at fixed prices ranging from \$.13 to \$.15 per share to contingent liabilities. Contracts for warrants to purchase 11,111,112 shares of the Company's common stock at \$.14 per share were reclassified to permanent equity in May of 2009, and contracts for warrants to purchase 1,604,168 shares of the Company's common stock at fixed prices ranging from \$.13 to \$.15 per share were reclassified to permanent equity in September, 2009.

Since June 17, 2011, the Company's common stock has been the subject of a "Chill" by the Depository Trust Company which acts as primary depository and settlement agent for most U.S. common stocks. In correspondence with the DTC, the Company was informed that large sales of common stock by JMJ Financial and John Fife received from conversions of various convertible securities issued to such entities and persons as unregistered securities were the principal focus of the DTC. The Company has refrained from converting any convertible securities into common stock for the foregoing persons and entities until the DTC is removed. The DTC Chill requires that all settlements of purchases and sales of the Company's common stock be completed in certificated format and does not allow the use of electronic transfers known as DWAC. The Company is actively engaged with the DTC, through outside counsel, to have the "Chill removed but is unable to predict the time frame for such removal. The company is currently in litigation with John Fife with respect to its denial of conversions into common stock prior to removal of the Chill and cannot predict the outcome of such litigation. Depending on the future price of the Company's common stock the Company may have to increase its authorized shares of common stock in order to complete such conversions in the future. Such increase in its authorized shares would require likely require shareholder approval.

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## 8. STOCKHOLDERS' EQUITY- (continued)

The liability was recorded at the fair market value, such estimated value, as restated, was based upon the contractual life of the free standing warrants, using the Black Sholes pricing model, based on the following weighted average assumptions: annual expected return of 0%, an average life of 5 years, annual volatility of 81% and a risk-free interest rate 2.25%. At the issuance date of the free standing warrants, which warrants were issued during the fourth quarter of fiscal June 30, 2008, the estimated value approximated \$1,006,200 and, as recalculated on the quarterly measurement dates, at June 30, 2008 the estimated value approximated \$433,300. During the fiscal year ended 2009, the estimated value was determined to no longer be material. The net change in the contingent liability was credited to the change in derivative value in the Consolidated Statement of Operations for each of the fiscal years ended June 30, 2008 and 2009 for \$572,900 and \$433,300, respectively, in accordance FASB Standards Codification Topic 815 (previously known as EITF 00-19).

Subsequent to September 30, 2009, the Company has not entered into, and presently the Company does not have, any have contracts for warrants or other equity instruments subject to reclassification to liabilities as prescribed by FASB Standards Codification Topic 815 (previously known EITF 00-19).

## STOCK INCENTIVE PLANS

A summary of the stock option activity for the years ended June 30, 2012 and 2013 pursuant to the terms of both plans, which include incentive stock options and non-qualified stock options, is set forth on the below:

	Number of Options	Weighed Average Exercise Price
Outstanding at June 30, 2009	145,293,000	\$ 0.11
Granted	0	
Exercised	0	
Cancelled/Expired	(7,775,000)	(0.25)
Outstanding at June 30, 2010	137,518,000	\$ 0.087
Granted	0	
Exercised	0	
Cancelled/Expired	(23,798,000)	(.21)
Outstanding at June 30, 2011	113,720,000	\$ 0.063
Granted	0	
Exercised	0	
Cancelled/Expired	(8,960,000)	(.21)
Outstanding at June 30, 2012	104,760,000	\$ 0.0071
Granted	0	

Exercised	0	
Cancelled/Expired	(85,000)	(.21)
Outstanding at June 30, 2013	104,675,000	\$ 0.0052

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## 8. STOCKHOLDERS' EQUITY- (continued)

The fair value of options granted in fiscal year ended June 30, 2009 was estimated as of the date of grant using the Black-Scholes stock option pricing model, based on the following weighted average assumptions: annual expected return of 0%, an average life of 5 years, annual volatility of 80.3% and a risk-free interest rate of 3.0% in the year 2009.

The following summarizes information about stock options outstanding at June 30, 2012:

RANGE OF EXERCISE PRICE	NUMBER OUTSTANDING	WEIGHTED AVERAGE REMAINING	WEIGHTED AVERAGE	NUMBER EXERCISABLE	WEIGHTED AVERAGE
		CONTRACTUAL LIFE	EXERCISE PRICE		EXERCISE PRICE
\$.00-\$0.04	98,000,000	.3	\$ 0.004	98,000,000	\$ 0.004
\$.005-\$0.25	6,675,000	1.2	\$ 0.052	6,675,000	\$ 0.052
Totals				104,675,000	\$ 0.0052

During the fiscal year ended June 30, 2012, the Company issued 3,676,471 warrants and warrants for 8,376,669 shares of common stock expired. During the fiscal year ended June 30, 2011, the Company issued no warrants and warrants for 83,711,665 shares of common stock expired. During the fiscal year ended June 30, 2010, the Company issued no warrants, and warrants covering 40,953,943 shares of common stock expired. As of June 30, 2012, 2011 and 2010, warrants covering 16,780,639, 21,480,837 and 105,192,502 shares respectively remained outstanding with a weighted average exercise price of \$0.107, \$0.063 and \$0.21, respectively.

As of June 30, 2012 warrants to purchase 16,780,639 shares of common stock ranging from \$.01 to \$.15 were outstanding and as of June 30, 2013 no warrants remained outstanding.

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## 9. RELATED PARTY TRANSACTIONS

Mr. Durando, the President and CEO of mPhase, together with Mr. Ergul own a controlling interest and are officers of Janifast Limited. Mr. Durando and Mr. Dotoli are officers of Microphase Corporation. Mr. Ergul, retired as the chairman of the board of mPhase in Nov 2007, owns a controlling interest and is a director of Microphase Corporation.

During the years ended June 30, 2012 and 2013, Mr. Biderman charged finders' fees of \$13,000 and \$28,500.

As of June 30, 2012 and 2013, outstanding bridge loans from Mr. Smiley, including accrued interest thereon, amounted to \$301,800 and \$343,455. All of the promissory notes are payable on demand.

As of June 30, 2012 and 2013, unpaid compensation owing to Mr. Durando and Mr. Dotoli, plus accrued interest thereon at 12% per annum, equaled \$515,345 and \$372,407 and \$574,235 and \$407,846, respectively.

In April 2009, the Board of Directors authorized the right for the officers to convert such loans plus accrued interest thereon at any time for the next five years into common shares provided such shares are issued, outstanding and available, at a conversion price of \$.0075, and in August, 2011, the conversion price was amended to \$.0040, which prices are comparable to that of private placements during those periods.

The Company recorded beneficial conversion interest expense of \$82,609, \$0, \$2,230 and \$0 during the years ended June 30, 2010, 2011, 2012 and 2013, respectively, on the conversion feature based upon principal at the commitment date and accrued interest through June 30 of 2010, 2011, 2012 and 2013, respectively.

The officers' notes plus accrued interest are convertible into approximately 331,384,000 shares of the Company's common stock based upon the conversion terms at June 30, 2013.

### MICROPHASE

The Company leases office space from Microphase at both its Norwalk and Little Falls location. Current rental expense is \$993 and \$2,281 per month at Norwalk and Little Falls respectively. In addition, Microphase provides certain research and development services and shares administrative personnel from time to time.

During the years ended June 30, 2012 and 2013, Microphase Corporation charged the Company \$43,560 and \$5,290 for rent and \$7,225 and \$7,666 for administrative expenses.

### Equity Conversions of Debt and Other Financial Instruments with Related Parties

During the fiscal years ended June 30, 2012 and June 30, 2013, there were no equity conversions of debt or other financial instruments with related parties.

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## 9. RELATED PARTY TRANSACTIONS - (continued)

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, 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 compensation to related parties for the Twelve Months Ended June 30, 2012

	Durando	Dotoli	Smiley	Biderman	Microphase	Total
Consulting / Salary	\$ 110,000	\$ 107,333	\$ 106,667			\$ 324,000
Interest	\$ 54,681	\$ 36,103	\$ 26,744			\$ 117,528
Rent					\$ 43,560	\$ 43,560
G&A					\$ 7,225	\$ 7,225
R&D						\$ 0
Finders Fees				\$ 18,000		\$ 18,000
Stock based compensation (shares issued)	\$ 2,488,500	\$ 1,858,500	\$ 1,858,500	\$ 252,000	\$ 63,000	\$ 6,520,500
Stock based compensation (options issued)	\$ 173,316	\$ 103,990	\$ 62,394			\$ 339,700
Total compensation for the Twelve Months Ended June 30, 2012	\$ 2,826,497	\$ 2,105,926	\$ 2,054,305	\$ 270,000	\$ 113,785	\$ 7,370,513

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
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## Summary of payables to related parties as of June 30, 2012

	Durando	Dotoli	Smiley	Total Notes Payable	Biderman	Microphase	Total
Notes payable	\$ 456,573	\$ 333,663	\$ 273,177	\$ 1,063,413			\$ 1,063,413
Accrued Wages Officers	\$ 29,167	\$ 29,167	\$ 10,417				\$ 68,751
Due to Officers / Affiliates					\$ 150,000	\$ 53,128	\$ 203,128
Interest Payable	\$ 58,771	\$ 38,745	\$ 28,623	\$ 126,139			\$ 126,139
Total Payable to Officers / Affiliates as of June 30, 2012	\$ 544,511	\$ 401,575	\$ 312,217	\$ 1,189,552	\$ 150,000	\$ 53,128	\$ 1,461,431



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## NOTE 10 - INCOME TAXES

The accompanying consolidated balance sheet includes the following components of deferred taxes under the liability method:

	2012	2013
<b>Deferred Tax Assets</b>		
Net operating loss carry forward	\$ 43,045,200	\$ 36,309,600
	43,045,200	36,309,600
Net Deferred Tax Asset	43,045,200	36,309,600
Valuation allowance	(43,045,200)	(36,309,600)
	\$ -	\$ -

The valuation allowance at June 30, 2010 was \$40,787,080.

At June 30, 2013, the Company has federal net operating loss carry forwards of approximately \$99 million and \$47.5 million to offset future federal and state income taxes, respectively, which expire at various times from 2016 through 2031. The federal net operating loss carry forwards may be subject to the separate return loss limitation rules and IRC section 382 limitations due to changes in ownership. The Company has assessed the evidence of its forecasted future operations against the potential likelihood of the realization of the deferred tax assets to make the determination that the Company will not utilize these carry forwards and has recorded a valuation allowance against the net deferred tax asset.

The Company had net losses of \$8,786,952 in 2012 and \$260,634 in 2013. Deferred income taxes relate principally to the use of net operating loss carry forwards; these can differ from computations based upon book losses for the use for tax purposes of accelerated depreciation methods and the difference in the book and tax basis of certain stock based compensation.

The provision for income taxes from continuing operations differs from taxes that would result from applying Federal statutory rates because of the following:

	Year ended June 30,			
	2012		2013	
	Amount	Percent	Amount	Percent
Taxes at Federal Statutory Rate	\$ (766,360)	(34.0%)	\$ (88,615)	(34%)
State Taxes Net of Federal Tax	(126,224)	(5.60%)	(14,595)	(5.6%)
Valuation Allowance	892,584	39.60%	103,210	39.6%
	\$ -	-	\$ -	-

At June 30, 2012 and 2013, the Company had no material unrecognized tax benefits and no adjustments to liabilities or operations were required. The Company does not expect that its unrecognized tax benefits will materially increase within the next twelve months. The Company did not recognize any interest or penalties related to uncertain tax positions at June 30, 2012 and 2013.



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## 11. COMMITMENTS AND CONTINGENCIES

### COMMITMENTS

The Company had a month to month lease for the rental of office space in Little Falls New Jersey costing \$2,281 per month through June 30 2013. Effective July 1, 2013 the Company moved its office to East Rutherford, New Jersey with a month to month lease with rent set at \$1,517 per month. The Company also leases office space in Norwalk, Connecticut which includes labs and certain staff services from Microphase Corporation at a rate of \$993 per month which is also a month to month lease.

### CONTINGENCIES

The Company has offered and sold convertible notes to JMJ Financial in the aggregate principal amount plus accrued interest of \$10,270,400 through June 30, 2013. Such convertible notes provide cash funding to the Company of up to \$9,500,600. Through June 30, 2012, approximately \$6,472,000 of cash has been received by the Company, \$5,936,150 of which has been converted by JMJ Financial into a substantial number of shares of common stock without registration under the Securities Act of 1933, as amended, or qualification under state securities laws. The Company believes that any sales of common stock by JMJ are in full compliance with Rule 144 of the Securities Act of 1933, as amended, and has obtained an opinion of outside counsel regarding such compliance.

Nevertheless, it is possible such compliance could be challenged in the future by either regulatory agencies or shareholders. In particular, questions regarding the economic risk of JMJ Financial with respect to the collateral required under the secured note delivered by JMJ Financial in payment of the purchase price for the Company's convertible note could be raised since the secured note contains a prepayment provision allowing JMJ to prepay such note, in full, by returning the convertible note. If a court of law determines that any offer or sale of common stock of the Company received in a conversion by JMJ Financial was not in compliance with Rule 144 then JMJ could be deemed to be an underwriter. The result would be that the Company would have been engaged in a primary offering of common stock through an underwriter in violation of the registration requirements of the Securities Act of 1933, as amended.

The Securities Act of 1933, as amended, requires that any claim for rescission be brought within one year of the violation. The time periods within which claims for rescission must be brought under state securities laws vary and may be two years or more from the date of the violation. At June 30, 2012, approximately 41,833,333 shares of outstanding common stock were issued in respect of our convertible note transactions with JMJ Financial could be subject to rescission with a potential liability approximating \$319,400, including a liability of approximately \$42,900 for interest at 10% per annum. As of June 30, 2013 no shares of our common stock remain outstanding that could be subject to rescission.

Since June 17, 2011, the Company's common stock has been the subject of a "Chill" by the Depository Trust Company which acts as primary depository and settlement agent for most U.S. common stocks. In correspondence with the DTC, the Company was informed that large sales of common stock by JMJ Financial and John Fife received from conversions of various convertible securities issued to such entities and persons as unregistered securities were the principal focus of the DTC. The Company has refrained from converting any convertible securities into common stock for the foregoing persons and entities until the DTC is removed. The DTC Chill requires that all settlements of

purchases and sales of the Company's common stock be completed in certificated format and does not allow the use of electronic transfers known as DWAC. The Company is actively engaged with the DTC, through outside counsel, to have the "Chill removed but is unable to predict the time frame for such removal. The company is currently in litigation with John Fife with respect to its denial of conversions into common stock prior to removal of the Chill and cannot predict the outcome of such litigation. Depending on the future price of the Company's common stock the Company may have to increase its authorized shares of common stock in order to complete such conversions in the future. Such increase in its authorized shares would require likely require shareholder approval.

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## 12. FAIR VALUE MEASUREMENTS

Effective July 1, 2008, we adopted Statement of Financial Accounting Standards No. 157, Fair Value Measurements, now known as FASB ASC 820 Fair Value Measurements and Disclosures (ASC 820), which provides a framework for measuring fair value under GAAP. ASC 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC 820 requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. ASC 820 also establishes a fair value hierarchy, which prioritizes the valuation inputs into three broad levels.

Financial assets and liabilities valued using level 1 inputs are based on unadjusted quoted market prices within active markets. Financial assets and liabilities valued using level 2 inputs are based primarily on quoted prices for similar assets or liabilities in active or inactive markets. For certain long-term debt, the fair value was based on present value techniques using inputs derived principally or corroborated from market data. Financial assets and liabilities using level 3 inputs were primarily valued using management's assumptions about the assumptions market participants would utilize in pricing the asset or liability. Valuation techniques utilized to determine fair value are consistently applied.

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3) Derivative Liability	
	30-Jun-12	30-Jun-13
Balance at July 1, 2011 and 2012	\$ 1,664,575	\$ 898,734
Increase (Decrease) in Derivative and associated liabilities	22,466	(589,584)
Debt discounts	(788,307)	(132,818)
Balance at June 30, 2012 and 2013	\$ 898,734	\$ 176,332

Financial instruments are considered Level 3 when their values are determined using pricing models, discounted cash flow methodologies or similar techniques and at least one significant model assumption or input is input is unobservable. Level 3 financial instruments also include those for which the determination of fair value requires significant management judgment or estimation.

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13. SUBSEQUENT EVENTS

On July 18, 2013, the Company announced in a Form 8K filing that it had entered into an 8% Convertible Promissory Note in the Principal Amount of \$37,500 receiving net cash proceeds of \$35,000 from Asher Enterprises Inc. The private placement was entered into pursuant to Section 4(2) of the Securities Act of 1933, as amended and the proceeds are being used as additional working capital for the Company.

On July 18, 2013, the Company issued 30,586,538 shares in a partial repayment of \$15,000 principle and \$905 of interest to Black Arch Opportunity Fund L.P., Inc. against its Convertible Promissory Note for \$30,000, originally issued by the Company on December 8, 2012.

Through August 6, 2013, the Company has completed transactions in a private placement of its common stock to 3 accredited investors pursuant to Rule 506 of Regulation D and Section 4(2) of the Securities Act of 1933, as amended. The Company received net proceeds of \$72,500, made available for working capital, in connection with the issuance of 182,250,000 shares of its common stock at \$.0004.

The Company is continuing such Private Placement until early October of 2013 with the goal of raising up to \$150,000 gross proceeds to be used as working capital in exchange for 193,750,000 additional shares of its common stock with accredited investors.

On August 15, 2013, the Company issued 16,438,356 shares in a partial repayment of \$12,000 principle and interest to Asher Enterprises, Inc. against its Convertible Promissory Note in Asher Agreement V for \$53,000, originally funded on January 3, 2013.

On September 16, 2013 the Company announced that the Depository Trust Company had removed a "Chill" on the Company's common stock.

14. SUBSEQUENT EVENTS -Unaudited

Through September 30 2013, the Company has completed transactions in a private placement of its common stock to 6 accredited investors pursuant to Rule 506 of Regulation D and Section 4(2) of the Securities Act of 1933, as amended. The Company received net proceeds of \$86,000, made available for working capital, in connection with the issuance of 215,000,000 shares of its common stock at \$.0004.

During October 31, 2013, 2013, the Company has completed transactions in a private placement of its common stock to 3 accredited investors pursuant to Rule 506 of Regulation D and Section 4(2) of the Securities Act of 1933, as amended. The Company received net proceeds of \$107,000, net of \$3,000 expenses, made available for working capital, in connection with the issuance of 275,000,000 shares of its common stock at \$.0004.

On September 29, 2013 the Company issued 58,800,000 shares of its common stock for services valued at \$52,920.

Through October 31, 2013, the Company has issued 141,761,066 for conversions of convertible debt outstanding at June 30, 2013, together with interest and fees totaling \$96,025.

