SS&C TECHNOLOGIES INC
Form S-3/A
May 19, 2004

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As filed with the Securities and Exchange Commission on May 19, 2004

Registration No. 333-113178

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

AMENDMENT NO. 4
TO
FORM S-3

REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

SS&C Technologies, Inc.

(Exact Name of Registrant as Specified in Its Charter)

Delaware *(State or other jurisdiction of incorporation or organization)*	**06-1169696** *(I.R.S. Employer Identification Number)*

80 Lamberton Road
Windsor, Connecticut 06095
(860) 298-4500
(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant s Principal Executive Offices)

William C. Stone
President, Chief Executive Officer and Chairman of the Board
SS&C Technologies, Inc.
80 Lamberton Road
Windsor, Connecticut 06095
(860) 298-4500
(Name, Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent For Service)

Copies to:

John A. Burgess, Esq. **James R. Burke, Esq.** **Hale and Dorr LLP** **60 State Street** **Boston, Massachusetts 02109** **Telephone: (617) 526-6000** **Telecopy: (617) 526-5000**	**Keith F. Higgins, Esq.** **Julie H. Jones, Esq.** **Ropes & Gray LLP** **One International Place** **Boston, Massachusetts 02110** **Telephone: (617) 951-7000** **Telecopy: (617) 951-7050**

Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this registration statement.

If the only securities being registered on this form are being offered pursuant to dividend or interest reinvestment plans, please check the following box. o

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box. o

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o ______

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o ______

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. o

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

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Subject to Completion. Dated May 19, 2004.

4,500,000 Shares

SS&C Technologies, Inc.

Common Stock

SS&C Technologies, Inc. is offering 3,375,000 of the shares to be sold in the offering. The selling stockholders identified in this prospectus on page 53 are offering an additional 1,125,000 shares. SS&C will not receive any of the proceeds from the sale of the shares being sold by the selling stockholders.

The common stock is quoted on the Nasdaq National Market under the symbol SSNC . The last reported sale price of the common stock on May 18, 2004 was $21.65 per share.

See Risk Factors on page 6 to read about factors you should consider before buying shares of our common stock.

Neither the Securities and Exchange Commission nor any regulatory body has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

	Per Share	Total
Initial price to the public	$	$
Underwriting discount	$	$
Proceeds, before expenses, to SS&C	$	$
Proceeds, before expenses, to the selling stockholders	$	$

To the extent that the underwriters sell more than 4,500,000 shares of common stock, the underwriters have the option to purchase up to an additional 675,000 shares from one of the selling stockholders at the initial price to public less the underwriting discount.

The underwriters expect to deliver the shares against payment in New York, New York on , 2004.

Goldman, Sachs & Co.

JPMorgan

SunTrust Robinson Humphrey

Jefferies Broadview

America s Growth Capital

Prospectus dated , 2004.

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PROSPECTUS SUMMARY

This summary highlights information contained elsewhere in this prospectus and sets forth the most significant aspects of the offering. This summary does not contain all of the information that you should consider before investing in our common stock. You should read the entire prospectus carefully, especially the risks of investing in our common stock discussed under Risk Factors .

Our Business

SS&C Technologies, Inc. provides the financial services industry with a broad range of highly specialized software, business process outsourcing (BPO) services and application service provider (ASP) solutions. We deliver mission-critical processing for information management, analysis, trading, accounting, reporting and compliance. For example, insurance companies use our CAMRA product to track performance of portfolios of their fixed income, mortgage-backed securities and collateralized mortgage obligations. We provide our products and related services in seven vertical markets in the financial services industry:

- insurance entities and pension funds,
- institutional asset management,
- hedge funds and family offices,
- financial institutions, such as retail banks and credit unions,
- commercial lending,
- real estate property management, and
- municipal finance.

Our clients include some of the largest and most well-recognized entities in the financial services industry, who manage in the aggregate over $4 trillion in assets. For the year ended December 31, 2003, we generated $11.8 million of net income, or $0.59 per share, on $65.5 million of total revenues. For the three months ended March 31, 2004, we generated $3.8 million of net income, or $0.19 per share, on $19.2 million of total revenues.

Industry Background

The financial services industry traditionally invests more heavily in information technology, or IT, than other industries, and as the financial services market grows, IT budgets are expected to increase. According to a January 2004 IDC report, the banking, insurance and financial services markets are expected to spend $62 billion on software and services in 2004, which is expected to grow at a compound annual growth rate of over 6% to $75 billion in 2007.

Today s participants in the financial services industry face a number of challenges, including rapidly changing market conditions, increasing regulatory oversight, and more complex and numerous asset classes and securities products. Many financial services organizations face an increasing gap between the amount and complexity of data that they must analyze and control and their finite internal IT resources. To meet their requirements, financial services organizations require flexible, cost-effective, rapidly deployable systems that support informed, real-time business decision making and regulatory compliance.

The SS&C Solution

Our clients choose SS&C s solutions because we offer the following benefits:

- a range of solution delivery methods, including licenses, BPO services, ASP solutions or blended solutions,
- rapidly deployable and cost-effective outsourcing solutions,

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- deep vertical market expertise,
- scalability and flexibility,
- integrated end-to-end solutions, and
- global presence.

Our products help enable users to efficiently and rapidly analyze and manage information, increase productivity, reduce costs and devote more time to critical business decisions rather than administrative, reporting and compliance matters.

Our Strategy

Our goal is to be the leading provider of superior technology solutions to the financial services industry. To achieve our goal, we intend to:

Maintain Our Commitment to the Highest Level of Client Service. We believe that one of the factors that distinguishes us from our competition is our commitment to the highest level of client service. Our clients include large, sophisticated institutions with complex systems and requirements, and we understand the importance of providing them with both the experience of our senior management and the subject matter expertise of our sales, professional services and support staffs. Our commitment begins with our senior management team. Our top three executives have in the aggregate over 50 years of experience in the software and financial services industries and actively participate in creating and building client relationships. For each solution deployment, we analyze our client s needs and assemble a team of appropriate industry vertical and technical experts who can quickly and efficiently deliver tailored solutions to the client. We provide our larger clients with a dedicated client support team whose primary responsibility is to resolve questions and provide solutions to address ongoing needs. We believe that the individual attention and industry expertise provided by our senior management and staff help solidify strong relationships with our clients. Our strong client relationships in turn build client loyalty, including a base of clients who are more likely to buy our other products and services and serve as references for future clients.

Leverage Our Existing Client Relationships. We intend to continue to expand the scope of existing client relationships by marketing and delivering the full range of our capabilities to our clients. Our clients include many large and sophisticated organizations in the financial services industry with extensive, highly specialized software and service needs across the multiple vertical markets we serve. Our business with existing clients generally increases along with the volume of assets that they manage. We can also provide additional modules or features to the products and services currently used by our clients as well as cross sell products and services that may address our clients other information management, analysis, trading, accounting, reporting or compliance needs. For instance, users of our CAMRA asset management product may also have a need for our Antares trading product or our AnalyticsExpress financial modeling product. Our critical understanding of our clients businesses is a competitive advantage in capturing additional sales opportunities in our referenceable client base.

Grow Our Outsourcing Business and Increase Our Recurring Revenues. We plan to further increase our recurring revenue streams from our outsourcing solutions and maintenance services, because they provide us with greater predictability in the operation of our business and enable us to build valued relationships with our clients. We believe that our outsourcing services provide an attractive alternative to clients that do not wish to install, run and maintain complicated financial software. We generally provide our outsourcing services under three- to five-year contracts with minimum fee commitments that are often renewed at the expiration of their terms. Our outsourcing revenues under these contracts are predictable and recurring. Our outsourcing revenues increased from $6.3 million, or 11.2% of total

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revenues, in 2001 to $13.2 million, or 20.2% of total revenues, in 2003. Maintenance revenues also provide another source of recurring revenues and represented 47.8% of total revenues in 2003. For the three months ended March 31, 2004, our outsourcing revenues increased to $5.2 million, representing 27% of total revenues, and our maintenance revenues increased to $8.0 million, representing 42% of total revenues.

Continue to Address the Specialized Needs of the Financial Services Industry. We have accumulated substantial financial expertise since our founding in 1986 through close working relationships with our clients, resulting in a deep knowledge base that enables us to respond to their most complex financial, accounting, actuarial, tax and regulatory needs. We intend to build on this expertise by continuing to offer products and services that address the highly specialized needs of the financial services industry. We believe that we enjoy a competitive advantage because we can address the investment and financial management needs of high-end clients by providing industry-tested products and services that meet global market demands while also providing integrated, straight thru processing for improved productivity, reduced manual intervention and bottom-line savings.

Capitalize on Acquisition Opportunities. We employ a disciplined and highly focused acquisition strategy in which we seek to acquire businesses, products and technologies in our existing or complementary vertical markets. Since 1995, we have acquired more than a dozen businesses within our industry. We believe that the market for financial services software and services is highly fragmented and rapidly evolving, with many new product introductions and industry participants. These factors create both the need and the opportunity to effect strategic transactions to increase the breadth and depth of our product and service offerings and capitalize on evolving market opportunities. Our experienced senior management team leads a rigorous evaluation of our acquisition candidates to ensure that they satisfy our product or service needs and can be integrated with our business while meeting our financial metrics, including expected return on investment.

Recent Developments Acquisition of OMR Systems

On April 12, 2004, we acquired all of the outstanding shares of OMR Systems Corporation and OMR Systems International, Ltd., wholly owned subsidiaries of ADP Financial Information Systems, Inc. and which we refer to collectively as OMR Systems, for an aggregate purchase price of $19.7 million in cash. For a period of three years following the closing, ADP has agreed not to compete with us in specified lines of business conducted by OMR Systems or to solicit or hire former OMR Systems employees.

We acquired OMR Systems to address the demands of the financial services industry for integrated, global solutions. OMR Systems provides treasury processing software and outsourcing solutions to banks in the United States and Europe and offers comprehensive hedge fund administration. OMR Systems TradeThru software is a multi-bank, multi-currency and multi-entity straight-through processing system, delivering fully automated, front-to-back office functionality, primarily to financial institutions. OMR Systems Xacct service provides hedge funds and other alternative investment managers with a scalable, back-office solution.

Corporate Information

SS&C was organized as a Connecticut corporation in March 1986 and reincorporated as a Delaware corporation in April 1996. Our principal executive offices are located at 80 Lamberton Road, Windsor, Connecticut 06095. The telephone number of our principal executive offices is (860) 298-4500, and we maintain a website at www.ssctech.com. Information contained on our website does not constitute a part of this prospectus and should not be relied upon to make an investment decision.

For additional information about SS&C and our business, see Where You Can Find More Information .

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The Offering

Common stock offered by SS&C	3,375,000 shares
Common stock offered by the selling stockholders	1,125,000 shares
Common stock to be outstanding after the offering	22,309,478 shares
Nasdaq National Market symbol	SSNC
Use of proceeds	We expect to use the net proceeds from this offering for working capital and other general corporate purposes, including potential acquisitions. We will not receive any proceeds from the sale of shares of common stock by the selling stockholders.

The number of shares of common stock to be outstanding after this offering is based on the number of shares outstanding as of May 18, 2004 and excludes an aggregate of 2,562,351 shares of common stock issuable upon the exercise of outstanding options issued under our equity incentive plans, at a weighted average exercise price of $7.01 per share.

Except as otherwise noted, all information in this prospectus:

- assumes no exercise of the underwriters over-allotment option, and
- gives effect to our three-for-two common stock split in the form of a common stock dividend, which was payable on March 5, 2004 to stockholders of record as of the close of business on February 20, 2004.

We use the terms SS&C , the company , we , us and our in this prospectus to refer to SS&C Technologies, Inc. and its subsidiaries unless otherwise noted.

AdvisorWare, DBC, Heatmaps, HedgeWare, PortPro, Quantra, TradeDesk, TradeThru and Xacct are registered trademarks; Altair, AnalyticsExpress, Antares, CAMRA, CAMRA D Class, Debt & Derivatives, Finesse, Lightning, LMS, Mabel, PTS, SKYLINE II, The BANC Mall and Total Return are trademarks; and SS&C Direct is a service mark of SS&C Technologies, Inc. or one of its subsidiaries. All other trademarks or trade names referred to in this prospectus are the property of their respective owners.

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Summary Historical and Pro Forma Financial Data

The accompanying summary historical and pro forma consolidated financial data should be read in conjunction with Selected Historical and Pro Forma Financial Data , Capitalization , Management s Discussion and Analysis of Financial Condition and Results of Operations , Business and our financial statements and the notes thereto included elsewhere in this prospectus. The summary pro forma data do not purport to represent what our results would have been if the events below had occurred at the dates indicated.

The accompanying summary pro forma combined statement of operations data for the year ended December 31, 2003 and the three months ended March 31, 2004 give effect to the acquisition of OMR Systems as if it had occurred on January 1, 2003. The summary pro forma combined balance sheet data as of March 31, 2004 give effect to the acquisition of OMR Systems as if it had occurred on March 31, 2004.

The accompanying pro forma as adjusted balance sheet data give effect to our receipt of:

the estimated net proceeds from the sale of 3,375,000 shares of common stock in this offering, at an assumed offering price of $21.65 per share, which is the last reported sale price of our common stock on the Nasdaq National Market on May 18, 2004, and after deducting the estimated underwriting discounts and commissions and estimated offering expenses, and

the aggregate exercise price for the 157,500 shares of common stock to be acquired by certain of the selling stockholders upon exercise of options.

	Year Ended December 31,				Three Months Ended March 31,		
	2001	2002	2003	2003 Pro Forma	2003	2004	2004 Pro Forma
	(in thousands, except per share data)						
Statement of Operations Data:							
Revenues	$56,369	$62,434	$65,531	$87,926	$15,738	$19,189	$25,007
Gross profit	36,118	41,445	45,105	46,972	10,595	13,075	13,919
Operating income	2,595	11,142	18,378	16,499	3,565	6,030	5,911
Net income	4,022	7,305	11,796	10,390	2,329	3,770	3,633
Basic earnings per share	$ 0.18	$ 0.38	$ 0.63	$ 0.56	$ 0.12	$ 0.20	$ 0.19
Basic weighted average number of common shares outstanding	22,506	19,473	18,617	18,617	18,924	18,687	18,687
Diluted earnings per share	$ 0.18	$ 0.36	$ 0.59	$ 0.52	$ 0.12	$ 0.19	$ 0.18
Diluted weighted average number of common and common equivalent shares outstanding	22,752	20,531	19,832	19,832	19,863	20,201	20,201

	As of March 31, 2004		
	Actual	Pro Forma	Pro Forma As Adjusted
	(in thousands)		
Balance Sheet Data:			
Cash, cash equivalents and investments in marketable securities	$56,613	$37,811	$107,307
Working capital	42,361	22,795	92,291
Total assets	90,870	97,088	166,584
Stockholders equity	65,933	65,933	135,429

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RISK FACTORS

An investment in our common stock involves a high degree of risk. You should consider carefully the following information about these risks, together with the other information contained or incorporated by reference in this prospectus, before buying shares of our common stock. Any of the risk factors we describe below, which are the material risks of the offering, could severely harm our business, financial condition and operating results. The market price of our common stock could decline if one or more of these risks and uncertainties develop into actual events. You may lose all or part of your investment.

Risks Relating to Our Business

Our revenues and operating results have fluctuated significantly, and may continue to fluctuate significantly, from quarter to quarter

Historically, our revenues and operating results have fluctuated significantly from quarter to quarter. Our quarterly operating results may continue to fluctuate due to a number of factors, including:

- the timing, size and nature of our individual license and service transactions,
- the timing of the introduction and the market acceptance of new products, product enhancements or services by us or our competitors,
- the relative proportions of revenues derived from license fees, maintenance, professional services and outsourcing,
- the tendency of some of our clients to wait until the end of a fiscal quarter or our fiscal year in the hope of obtaining more favorable terms,
- changes in client budgets and decision-making processes that could affect both the timing and the size of any transaction,
- the amount and timing of operating costs and other expenses,
- cancellations of maintenance and/or outsourcing arrangements by our clients,
- changes in local, national and international regulatory requirements,
- changes in our personnel, and
- fluctuations in economic and financial market conditions.

The timing, size and nature of individual license and outsourcing transactions are important factors in our quarterly operating results. Many of the products we provide through licensing transactions are relatively complex, and licensing transactions involve a significant commitment of capital, with attendant delays frequently associated with large capital expenditures and implementation procedures within an organization. Moreover, licensing arrangements may require coordination within an organization s various divisions and operations. For these and other reasons, the sales cycles for these transactions are often lengthy and unpredictable. Our inability to close license transactions on a timely basis or at all could adversely affect our quarterly revenues and operating results.

General economic and market conditions and a weakening of the financial services industry may cause clients and potential clients to reduce expenditures on our products and services, which would result in lost revenues and reduced income

Our clients include a range of organizations in the financial services industry. The success of these clients is intrinsically linked to the health of the financial markets. In addition, we believe that fluctuations, disruptions, instability or downturns in the financial markets, which may cause clients and potential clients to exit the industry or delay, cancel or reduce any planned expenditures for investment management systems and software products, could disproportionately affect demand for our products and services. In addition, if financial services firms continue to consolidate, as they have over the past decade, there could be a material adverse effect on our business and financial results. For example, if a client merges with a firm using its own solution or another vendor s solution, it could decide to consolidate its processing on a non-SS&C system, which could have an adverse effect on our financial results. Any resulting decline in demand for our products and services could have a material adverse effect on our business, financial condition and results of operations.

If we are unable to retain and attract clients, our revenues and net income would remain stagnant or decline

If we are unable to keep existing clients satisfied, sell additional products and services to existing clients or attract new clients, then our revenues and net income would remain stagnant or decline. A variety of factors could affect our ability to successfully retain and attract clients, including:

- the level of demand for our products and services,
- the level of client spending for information technology,
- the level of competition from internal client solutions and from other vendors,
- the quality of our client service,
- our ability to update our products and services and develop new products and services needed by clients,
- our ability to understand the organization and processes of our clients, and
- our ability to integrate and manage acquired businesses.

We may not achieve the anticipated benefits from our acquisitions and may face difficulties in integrating our acquisitions, which could adversely affect our revenues, subject us to unknown liabilities, increase costs and place a significant strain on our management

We have made and may in the future make acquisitions of companies, products or technologies that we believe could complement or expand our business, augment our market coverage, enhance our technical capabilities or otherwise offer growth opportunities. Failure to achieve the anticipated benefits of an acquisition could harm our business, results of operations and cash flows. Acquisitions could subject us to contingent or unknown liabilities, and we may have to incur debt or severance liabilities, write-off investments, infrastructure costs, impaired goodwill or other assets, or issue equity securities to pay for any future acquisitions. The issuance of equity securities could dilute our existing stockholders ownership.

Our success is also dependent on our ability to complete the integration of the operations of recently acquired businesses, including Amicorp Group s fund services business, Investment Advisory Network, NeoVision Hypersystems and OMR Systems, and any businesses we acquire in the future in an efficient and effective manner. Successful integration in the rapidly changing financial services industry may be more difficult to accomplish than in other industries. We may not realize the benefits we anticipate from these acquisitions, such as lower costs or increased revenues. We may also realize such benefits more slowly than anticipated, due to our inability to:

- combine operations, facilities and differing firm cultures,
- retain the clients or employees of acquired entities,
- generate market demand for new products and services,
- coordinate geographically dispersed operations and successfully adapt to the complexities of international operations,

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- integrate the technical teams of these companies with our engineering organization,
- incorporate acquired technologies and products into our current and future product lines, and
- integrate the products and services of these companies with our business, where we do not have distribution, marketing or support experience for these products and services.

Integration may not be smooth or successful. The inability of management to successfully integrate the operations of acquired companies could have a material adverse effect on our business, financial condition and results of operations. The acquisitions may also place a significant strain on our management, administrative, operational and other resources. To manage growth effectively, we must continue to improve our management and operational controls, enhance our reporting systems and procedures, integrate new personnel and manage expanded operations. If we are unable to manage our growth and the related expansion in our operations from recent and future acquisitions, our business may be harmed through a decreased ability to monitor and control effectively our operations, and a decrease in the quality of work and innovation of our employees.

We may be unable to identify suitable businesses to acquire, which would hinder our ability to grow our revenues and client base and adversely affect our business and financial results

We may not identify suitable businesses to acquire or negotiate acceptable terms for acquisitions. Historically, a significant portion of our growth has occurred as a result of our ability to acquire similar or complementary businesses on favorable terms. We have relied heavily on acquisitions for adding new products, increasing revenues and adding to our client base, and we expect to continue to do so in the future. This growth strategy is subject to a number of risks that could adversely affect our business and financial results, including:

- we may not be able to find suitable businesses to acquire at affordable valuations or on other acceptable terms,
- we may face competition for acquisitions from other potential acquirers or from the possibility of the acquisition target pursuing an initial public offering of its stock, and
- we may find it more difficult or costly to complete acquisitions due to changes in accounting, tax, securities or other regulations.

If we are unable to protect our proprietary technology, our success and our ability to compete will be subject to various risks, such as third-party infringement claims, unauthorized use of our technology, disclosure of our proprietary information or inability to license technology from third parties

Our success and ability to compete depends in part upon our ability to protect our proprietary technology. We rely on a combination of trade secret, copyright and trademark law, nondisclosure agreements and technical measures to protect our proprietary technology. We have registered trademarks for many of our products and will continue to evaluate the registration of additional trademarks as appropriate. We generally enter into confidentiality agreements with our employees and clients. We seek to protect our software, documentation and other written materials under trade secret and copyright laws, which afford only limited protection. These efforts may be insufficient to prevent third parties from asserting intellectual property rights in our technology. Furthermore, it may be possible for unauthorized third parties to copy portions of our products or to reverse engineer or otherwise obtain and use our proprietary information, and third parties may assert ownership rights in our proprietary technology.

We do not have any patents, and existing copyright laws afford only limited protection. Others may develop substantially equivalent or superseding proprietary technology, or competitors may offer equivalent products in competition with our products, thereby substantially reducing the value of our proprietary rights. We cannot be sure that our proprietary technology does not include open-source

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software, free-ware, share-ware or other publicly available technology. There are many patents in the investment management field. As a result, we are subject to the risk that others will claim that the important technology we have developed, acquired or incorporated into our products will infringe the rights, including the patent rights, such persons may hold. Third parties also could claim that our software incorporates publicly available software and that, as a result, we must publicly disclose our source code. Because we rely on confidentiality for protection, such an event could result in a material loss of intellectual property rights. We cannot be sure that we will develop proprietary products or technologies that are patentable, that any patent, if issued, would provide us with any competitive advantages or would not be challenged by third parties, or that the patents of others will not adversely affect our ability to do business. Expensive and time-consuming litigation may be necessary to protect our proprietary rights.

We have acquired and may acquire important technology rights through our acquisitions and have often incorporated and may incorporate features of this technology across many products and services. As a result, we are subject to the above risks and the additional risk that the seller of the technology rights may not have appropriately protected the intellectual property rights we acquired. Indemnification and other rights under applicable acquisition documents are limited in term and scope and therefore provide us with only limited protection.

In addition, we currently rely on third-party licenses in providing our products and services. If we lost such licenses or such licenses were found to infringe upon the rights of others, we would need to seek alternative means of obtaining the licensed technology to continue to provide our products or services. Our inability to replace such technology, or to replace such technology in a timely manner, could have a negative impact on our operations and financial results.

We could become subject to litigation regarding intellectual property rights, which could seriously harm our business and require us to incur significant costs, which, in turn, could reduce or eliminate profits

In recent years, there has been significant litigation in the United States involving patents and other intellectual property rights. While we are not currently a party to any litigation asserting that we have violated third-party intellectual property rights, we may be a party to litigation in the future to enforce our intellectual property rights or as a result of an allegation that we infringe others intellectual property, including patents, trademarks and copyrights. Any parties asserting that our products or services infringe upon their proprietary rights would force us to defend ourselves and possibly our clients against the alleged infringement. Third parties could claim that our software incorporates publicly available software and that, as a result, we must publicly disclose our source code. These claims and any resulting lawsuit, if successful, could subject us to significant liability for damages and invalidation of our proprietary rights. These lawsuits, regardless of their success, could be time-consuming and expensive to resolve, adversely affect our sales, profitability and prospects and divert management time and attention away from our operations. We may be required to re-engineer our products or services or obtain a license of third-party technologies on unfavorable terms.

We expect our gross and operating margins may fluctuate over time, which could cause our financial results to differ from investor expectations or negatively affect our profitability

We expect that our gross and operating margins may fluctuate from period to period as we continue to introduce new products, experience fluctuations in the relative proportions of revenues derived from our products and services, continue to hire and acquire additional personnel and increase other expenses to support our business. Historically, we derived our revenues principally from the licensing of our products. However, we are increasingly deriving our revenues from outsourcing and related services, which have lower profit margins. For the years ended December 31, 2001, 2002 and 2003, our outsourcing revenues represented 11%, 20% and 20%, respectively, of our total revenues. The gross margins for outsourcing services were 7%, 32% and

39% in 2001, 2002 and 2003, respectively. We expect that the portion of our revenues derived from outsourcing and related services will continue to increase, which, because of the lower margins associated with such revenues, could adversely affect our profitability.

Our failure to continue to derive substantial revenues from the licensing of, or outsourcing solutions relating to, our CAMRA, AdvisorWare, SKYLINE and LMS software, and the provision of maintenance and professional services in support of such licensed software, could adversely affect our ability to sustain or grow our revenues and harm our business, financial condition and results of operations

To date, substantially all of our revenues have been attributable to the licensing of, or outsourcing solutions relating to, our CAMRA, AdvisorWare, SKYLINE and LMS software and the provision of maintenance and professional services in support of such licensed software. During the year ended December 31, 2003, we derived an aggregate of $40.8 million in revenues from CAMRA, AdvisorWare, SKYLINE and LMS, consisting of revenues from licenses, related maintenance and professional services, and outsourcing services. We expect that the revenues from these software products and services will continue to account for a significant portion of our total revenues for the foreseeable future. As a result, factors adversely affecting the pricing of or demand for such products and services, such as competition or technological change, could have a material adverse effect on our ability to sustain or grow our revenues and harm our business, financial condition and results of operations.

We face significant competition with respect to our products and services, which may result in price reductions, reduced gross margins or loss of market share

The market for financial services software and services is competitive, rapidly evolving and highly sensitive to new product and service introductions and marketing efforts by industry participants. The market is also highly fragmented and served by numerous firms that target only local markets or specific client types. We also face competition from information systems developed and serviced internally by the IT departments of financial services firms.

Some of our current and potential competitors have significantly greater financial, technical and marketing resources, generate higher revenues and have greater name recognition. Our current or potential competitors may develop products comparable or superior to those developed by us, or adapt more quickly than us to new technologies, evolving industry trends or changing client or regulatory requirements. It is also possible that alliances among competitors may emerge and rapidly acquire significant market share. Increased competition may result in price reductions, reduced gross margins and loss of market share, any of which could materially adversely affect our business, financial condition and results of operations.

Our inability to introduce new products and services could adversely affect our revenues and cause us to lose current or potential clients

Rapidly changing technology, evolving industry standards and new product and service introductions characterize the market for our products and services. Our future success will depend in part upon our ability to enhance our existing products and services and to develop and introduce new products and services to meet changing client needs and evolving regulatory requirements. The process of developing software products such as those offered by us is extremely complex and is expected to become increasingly complex and expensive in the future due to the introduction of new platforms and technologies. Our ability to keep up with technology and business changes is subject to a number of risks, including:

- we may find it difficult or costly to update our services and software and to develop new products and services quickly enough to meet our clients needs, we may find it difficult or costly to make some features of our software work effectively and securely over the Internet,

we may find it difficult or costly to update our software and services to keep pace with business, regulatory and other developments in the industries where our clients operate, and

we may be exposed to liability for security breaches that allow unauthorized persons to gain access to confidential information stored on our computers or transmitted over our network.

Our failure to develop new products and services in a timely fashion or to address promptly the needs of the financial markets could adversely affect our business, financial condition and results of operations.

Undetected software design defects, errors or failures may result in loss of or delay in market acceptance of our products that could adversely affect our revenues, financial condition and net income

Our software products are highly complex and sophisticated and could contain design defects or software errors that are difficult to detect and correct. Errors or bugs may result in loss of or delay in market acceptance of our software products or loss of client data or require design modifications. We cannot assure you that, despite testing by us and our clients, errors will not be found in new products, which errors could result in a delay in or an inability to achieve market acceptance and thus could have a material adverse effect upon our revenues, financial condition and results of operations.

If we cannot attract, train and retain qualified managerial, technical and sales personnel, we may not be able to provide adequate technical expertise and customer service to our clients or maintain focus on our business strategy

We believe that our success is due in part to our experienced management team. We depend in large part upon the continued contribution of our senior management and, in particular, William C. Stone, our president, chief executive officer and chairman of the board. Losing the services of one or more members of our senior management could adversely affect our business and results of operations. Mr. Stone has been instrumental in developing our business strategy and forging our business relationships since he founded the company in 1986. We maintain no key man life insurance policies for Mr. Stone or any other senior officers or managers.

Our success is also dependent upon our ability to attract, train and retain highly skilled technical and sales personnel. Competition for the hiring of such personnel in the software industry can be intense. Locating candidates with the appropriate qualifications, particularly in the desired geographic location and with the necessary subject matter expertise, is difficult. Our failure to attract and retain a sufficient number of highly skilled employees could adversely affect our business, financial condition and results of operations.

Challenges in maintaining and expanding our international operations can result in increased costs, delayed sales efforts and uncertainty with respect to our intellectual property rights and results of operations

For the years ended December 31, 2001, 2002 and 2003, international revenues accounted for 19%, 16% and 17%, respectively, of our total revenues. We sell certain of our products, such as Altair and Mabel, primarily overseas. Our international business may be subject to a variety of risks, including:

difficulties in obtaining U.S. export licenses,

potentially longer payment cycles,

increased costs associated with maintaining international marketing efforts,

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- foreign currency fluctuations,
- the introduction of non-tariff barriers and higher duty rates, and
- difficulties in enforcement of third-party contractual obligations and intellectual property rights.

Such factors could have a material adverse effect on our business, financial condition or results of operations.

Catastrophic events may adversely affect our ability to provide, our clients ability to use, and the demand for, our products and services, which may disrupt our business and cause a decline in revenues

A war, terrorist attack, natural disaster or other catastrophe may adversely affect our business. A catastrophic event could have a direct negative impact on us or an indirect impact on us by, for example, affecting our clients, the financial markets or the overall economy and reducing our ability to provide, our clients ability to use, and the demand for, our products and services. The potential for a direct impact is due primarily to our significant investment in infrastructure. Although we maintain redundant facilities and have contingency plans in place to protect against both man-made and natural threats, it is impossible to fully anticipate and protect against all potential catastrophes. A computer virus, security breach, criminal act, military action, power or communication failure, flood, severe storm or the like could lead to service interruptions and data losses for clients, disruptions to our operations, or damage to important facilities. In addition, such an event may cause clients to cancel their agreements with us for our products or services. Any of these could have a material adverse effect on our business, revenues and financial condition.

Recently enacted and proposed regulatory changes may cause us to incur increased costs and divert the attention of our management from operation of our business, and failure or circumvention of our controls and procedures could delay our ability to identify error or fraud and cause loss of investor and client confidence and serious harm to our business, financial condition, results of operations and cash flows

Recently enacted and proposed changes in the laws and regulations affecting public companies, including the provisions of the Sarbanes-Oxley Act of 2002 and rules proposed by the Securities and Exchange Commission and NASDAQ, could cause us to incur increased costs as we evaluate the implications of new rules and respond to new requirements. The Sarbanes-Oxley Act requires, among other things, that we maintain effective disclosure controls and procedures and internal control for financial reporting. We currently do not have an internal audit group and we will require significant resources and management oversight to maintain and improve the effectiveness of our disclosure controls and procedures and internal control over financial reporting. As a result, management s attention may be diverted from other business concerns, which could have a material adverse effect on our business, financial condition, results of operations and cash flows. In addition, we may need to hire additional accounting and financial staff with appropriate public company experience and technical accounting knowledge, and we cannot assure you that we will be able to do so in a timely fashion.

As we evaluate our internal controls and procedures in order to determine whether they are effective, we may determine that significant changes to such controls and procedures are necessary. In addition, our controls and procedures may not be able to prevent other than inconsequential error or fraud in the future. Any system of controls, however well designed and operated, is based in part on certain assumptions and can provide only reasonable, and not absolute, assurances that the objectives of the system are met. Faulty judgments, simple errors or mistakes, or the failure of our personnel to adhere to established controls and procedures may make it impossible for us to ensure that the objectives of the control system are met. A failure of our controls and procedures could delay our ability to identify error or fraud and cause loss of investor and client confidence and serious harm to our business, financial condition, results of operations and cash flows.

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Risks Relating to Our Common Stock and This Offering

Our management may invest or spend the proceeds of this offering in ways which may not benefit the business

Our management will retain broad discretion to allocate the proceeds of this offering. Management s failure to apply these funds effectively could have an adverse effect on our ability to implement our strategy.

Our stock price is volatile and may continue to be volatile in the future, which could result in substantial losses for investors purchasing shares in this offering

The trading price of our common stock has been, and is expected to continue to be, highly volatile. The following factors may significantly and adversely affect the trading price of our common stock:

- actual or anticipated fluctuations in our operating results,
- announcements of technological innovations,
- new products or new contracts by us or our competitors,
- developments with respect to copyrights or propriety rights,
- conditions and trends in the financial services and software industries,
- changes in financial estimates by securities analysts, and
- general market conditions and other factors.

William C. Stone will continue to be able to exercise substantial influence over all matters requiring stockholder and board approval and could make decisions about our business that conflict with the interests of other stockholders

Upon completion of this offering, William C. Stone, our president, chief executive officer and chairman of the board of directors, will beneficially own approximately 27.5% of our outstanding common stock.

Mr. Stone will continue to have the ability to exert significant influence over our affairs, including the election of directors and decisions relating to our strategic and operating activities. This concentration of ownership and board representation may have the effect of delaying or preventing a change in control that other stockholders may find favorable.

Provisions of our charter and bylaws may delay or prevent transactions that are in your best interests

Our charter and bylaws contain provisions, including a staggered board of directors, that may make it more difficult for a third party to acquire us, or may discourage bids to do so. These provisions could limit the price that investors might be willing to pay for shares of our common stock and could make it more difficult for a third party to acquire, or could discourage a third party from acquiring, a majority of our outstanding common stock. Our board of directors also has the authority to issue up to 1,000,000 shares of preferred stock and to determine the price, rights, preferences, privileges and restrictions, including voting rights, of those shares without any further vote or action by the stockholders. The rights of the holders of common stock will be subject to, and may be adversely affected by, the rights of the holders of any preferred stock that may be issued in the future. The issuance of preferred stock could make it more difficult for a third party to acquire, or may discourage a third party from acquiring, a majority of our outstanding common stock.

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SPECIAL NOTE REGARDING FORWARD-LOOKING INFORMATION

This prospectus contains or incorporates forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. You can identify these forward-looking statements by our use of the words believes , anticipates , plans , expects , may , will , intends , estimates , should and similar expressions, whether in the negative or affirmative. Alt believe that these forward-looking statements reasonably reflect our plans, intentions and expectations, we cannot guarantee that we actually will achieve these plans, intentions or expectations. Our actual results could differ materially from the plans, intentions and expectations disclosed in the forward-looking statements we make. We have included important factors in the cautionary statements below, particularly under the heading Risk Factors , that we believe could cause our actual results to differ materially from the forward-looking statements that we make. Except as required by law, we do not intend to update information contained in any forward-looking statement we make.

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USE OF PROCEEDS

We estimate that the net proceeds of the sale of the 3,375,000 shares of common stock that we are offering will be approximately $68,715,313, at an assumed public offering price of $21.65 per share, which is the last reported sale price of our common stock on the Nasdaq National Market on May 18, 2004, and after deducting estimated underwriting discounts and commissions and estimated offering expenses that we must pay. We will not receive any of the proceeds of the sale of shares of common stock by the selling stockholders. See Selling Stockholders .

The principal reasons for this offering are:

- to provide increased visibility and credibility in the marketplace,
- to provide additional public float in the marketplace,
- to raise funds to support our strategic goals and objectives, and
- to provide liquidity to some of our existing stockholders.

We intend to use the net proceeds from this offering for working capital and other general corporate purposes, including potential acquisitions of businesses, products or services. One element of our business strategy is to continue seeking opportunities to acquire businesses, products or services that complement or expand our business, augment our market coverage, enhance our technical capabilities or otherwise offer growth opportunities. While we engage from time to time in discussions with respect to potential acquisitions, and expect to spend a significant portion of the net proceeds on acquisitions, we have no plans, commitments or agreements with respect to any such acquisition as of the date of this prospectus, and there can be no assurances that any acquisitions will be made or that our management will not use the proceeds of this offering for other business purposes. Pending specific application of our net proceeds, we plan to invest our net proceeds in government securities and other short-term, investment-grade, marketable securities.

PRICE RANGE OF COMMON STOCK AND DIVIDEND POLICY

Our common stock has been trading on the Nasdaq National Market under the symbol SSNC since our initial public offering of common stock on May 31, 1996. The following table sets forth, for the fiscal periods indicated, the high and low sales prices per share of common stock as reported on the Nasdaq National Market:

	High	Low
Year Ended December 31, 2002		
First Quarter	$ 6.93	$ 4.69
Second Quarter	9.73	6.73
Third Quarter	9.47	4.93
Fourth Quarter	7.87	4.93
Year Ended December 31, 2003		
First Quarter	$ 8.37	$ 5.83
Second Quarter	11.39	7.74
Third Quarter	14.08	10.40
Fourth Quarter	21.95	12.40
Year Ending December 31, 2004		
First Quarter	$34.23	$18.15
Second Quarter (through May 18, 2004)	30.88	20.79

There were 49 stockholders of record of our common stock as of May 18, 2004. The number of stockholders of recordng: 0; text-indent: 0"> 30,393 - 30,393 Net Loss for the Three Months Ended September 30, 2014 - - - (284,289) (284,289) Balance September 30, 2014 14,436,288,881 $14,436,288 $191,889,610 $(209,920,297) $(3,594,400)

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

mPHASE TECHNOLOGIES, INC.

Consolidated Statements of Cash Flows

	For The Three Months Ended September 30,	
	2013 (Unaudited)	2014 (Unaudited)
Cash Flow From Operating Activities:		
Net Loss	$(1,073,195)	$(284,289)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	3,665	2,505
Non-cash charges relating to issuance of common stock, common stock options and warrants	52,920	4,081
Derivative Value and Debt Discount charges (credits)	744,013	(229,688)
Other non cash charges including amortization of deferred compensation and beneficial conversion interest expense	28,305	30,393
Changes in assets and liabilities:		
Accounts receivable	-	(66,372)
Inventories	-	112,574
Prepaid expenses and Other current assets	18,090	(4,955)
Other assets	-	(8,040)
Accounts payable & Accrued expenses	49,227	77,579
Due to/from related parties	(2,633)	6,092
Officers and Other	60,000	-
Net cash used in operating activities	$(119,608)	$(360,120)
Cash Flow from Investing Activities:		
Purchase of fixed assets	-	(6,007)
Net Cash used in investing activities	$0	$(6,007)
Cash Flow from Financing Activities:		
Proceeds from issuance of common stock, net of finders fees	86,000	210,000
Payment of equipment loans	(3,419)	-
Issuance of Convertible Debentures	35,000	40,000
Repayment of Convertible Debentures	-	(40,000)
Net Proceeds (Repayment) from notes payable related parties	1,050	-
Net cash provided by financing activities	118,631	210,000
Net decrease in cash	$(977)	$(156,127)
CASH AND CASH EQUIVALENTS, beginning of period	$1,055	$179,257
CASH AND CASH EQUIVALENTS, end of period	$78	$23,130

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

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mPHASE TECHNOLOGIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF OPERATIONS

mPhase Technologies, Inc. (the "Company") was organized on October 2, 1996 and is presently focused on(a) marketing its automotive battery jump starter designed for the mass market and (b) developing new “smart surface” products through the sciences of microfluidics, microelectromechanical systems (MEMS) and nanotechnology.

BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and pursuant to the regulations of the Securities Exchange Commission. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. Operating results for the three months ending September 30, 2014 are not necessarily indicative of the results that may be expected for a full fiscal year. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company’s Annual Report on Form 10-K, as amended, for the year ended June 30, 2014.

Through September 30, 2014, the Company had incurred cumulative (a) losses totaling $(209,920,297), (b) stockholders’ deficit of $3,594,400 and (c) negative cash flow from operations equal to $91,231,321. At September 30, 2014, the Company had $23,130 of cash and $95,966 of trade receivables to fund short-term working capital requirements. In addition, the Company relies on the continuation of funding through private placements of its common stock. The Company’s ability to continue as a going concern and its future success is dependent upon its ability to raise capital in the near term to: (1) satisfy its current obligations, (2) continue its research and development efforts, and (3) allow the successful wide scale development, deployment and marketing of its products.

INVENTORY

The Company uses the First In First Out method (FIFO) to account for inventory which is carried at cost. As of June 30, 2014, inventory consisted primarily of its various Jump products including the Jump and the mini Jump and was valued at $594,320. As of September 30, 2014, (unaudited) inventory consisted primarily of the Company’s line of Jump products including the new Jump Plus and was valued at $481,745. Appropriate reserves have been taken to assure that the cost of such inventory does not exceed the expected resale value.

USE OF ESTIMATES

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

LOSS PER COMMON SHARE, BASIC AND DILUTED

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 no warrants to purchase shares of its common stock and no options to purchase shares of its common stock outstanding at September 30, 2014, as well as convertible debentures held by third parties and convertible notes plus accrued interest thereon held by officers of the Company, subject to availability, convertible into approximately 2,170,613,193 and 1,287,522,300 shares respectively of the Company’s common stock based upon the conversion terms at September 30, 2014. In periods reporting a loss the inclusion of 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.

MATERIAL EQUITY INSTRUMENTS

The Company has material equity instruments including convertible securities that are accounted for as derivative liabilities (SEE BELOW) and options and warrants that are evaluated quarterly for potential reclassification as liabilities pursuant to by FASB Standards Codification Topic 815 (previously known as EITF 00-19). (SEE ALSO NOTE 3 under the caption "Other Equity".)

2SUPPLEMENTAL CASH FLOW INFORMATION

	For the Three Months Ended September 30,	
	2013	2014
Statement of Operation Information:		
Interest Accrued Unpaid	$ 76,439	$ 47,089
Extension & Prepayment Fees on Convertible Debt	$ 13,025	$ 14,916
Interest Paid (net interest income)	$ 1,475	$ 3,314
Non Cash Investing and Financing Activities:		
Conversion of Convertible Debt and Related Expenses	$ 96,025	$ -

3.EQUITY TRANSACTIONS AND CONVERTIBLE DEBT

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. On April 25, 2009, July 15, 2010, and again on November 1, 2010, the Board of Directors approved motions to further increase, subject to shareholder approval, the authorized shares of common stock to 3 billion shares, 4 billion shares and 6 billion shares, respectively. The latest 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, so that as of September 30, 2013 the Company has 6 billion authorized shares of common stock. The Company in its annual meeting of shareholders for the fiscal year ended June 30, 2013 held on February 12, 2014 received shareholder approval to increase its authorized shares to 18 billion shares of common stock so that as of September 30, 2014 the Company has said amount of authorized shares of stock.

Private Placements

During the three months ended September 30, 2013, the Company issued 215,000,000 shares of its common stock in connection with private placements pursuant to Rule 506 of Regulation D of the Securities Act of 1933, as amended, raising gross proceeds of $86,000 and incurring no finder’s fees. The proceeds were used by the Company as working capital.

During the three months ended September 30, 2014, the Company issued 580,000,000 shares of its common stock in connection with private placements included 30,000,000 shares to finders, pursuant to Rule 506 of Regulation D of the Securities Act of 1933, as amended, raising gross proceeds of $220,000 and paid finder’s fees in the amount of $10,000. The proceeds were used by the Company as working capital.

Stock Based Compensation

During the three months ended September 30, 2014, the Company issued 5,712,857 shares of common stock compensation to employees valued at $4,081. The Company during such period did not issue any common stock, warrants or options to officers.

During the three months ended September 30, 2013, the Company did not issue any shares of common stock compensation, warrants or options to officers or employees and issued 58,800,000 shares of common stock to consultants to cover certain legal fees and expenses valued at $ 52,920, the entire amount of which is included in general and administrative expenses in the Consolidated Statements of Operations for that period.

Conversion of Debt Securities

During the three months ended September 30, 2014, no conversions were made of convertible debt and accrued interest thereon into shares of common stock.

During the three months ended September 30, 2013, $96,026 of convertible debt and accrued interest thereon were converted into 141,761,066 shares of common stock.

Long Term Convertible Debentures / Debt Discount

The Company had 11 separate convertible debt arrangements with independent investors that were in effect at various times during the two fiscal years ended June 30, 2014, three of which were still active as of September 30, 2014.

During the three months ended September 30, 2014, no convertible debt was converted into any shares of common stock to holders of Convertible Notes.

During the three months ended September 30, 2013, $96,026 of debt including $3,971 accrued interest and $9,054 prepayment fees thereon was converted into 141,761,066 shares of common stock to holders of Convertible Notes.

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

Arrangement #1 (JMJ Financial, Inc.)

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

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

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

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

Arrangement #2 (JMJ Financial, Inc.)

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

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

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

During the fiscal year ended June 30, 2012, the Company reduced the note payable and debt discount by $79,000 in proportion with the amount funded to the total original funding commitment and amortization of debt discount amounted to $8,573 reducing the balance to $12,427. As of June 30, 2012, this convertible note has $321,000 outstanding which was combined with arrangement #3 JMJ Financial, Inc.

Arrangement #3 (JMJ Financial, Inc.)

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

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

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

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

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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, 2014, and September 30, 2014, the combined arrangements with JMJ in this note would be convertible into 237,807,785 and 242,752,575 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 #5 (John Fife dba St. George Investors)

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

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

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

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

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

During the twelve month period ended June 30, 2012 amortization of debt discount amounted to $185,456 reducing the combined balance to $55,903. On June 30, 2013, given the changes in the Company's stock price during the 20 day look-back period for June 30, 2013, this estimated liability had decreased to $138,696, a decrease this period of $689,007, creating a non-cash credit to earnings for the year ended June 30, 2013 of that amount. During the year ended June 30, 2013, amortization of debt discount amounted to $55,903, reducing the combined balance to $0. On September 30, 2013, this estimated liability had increased to $910,771, an increase of $772,075, creating a non-cash charge to earnings for the three month period.

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 and September 30, 2013, this note would be convertible into 700,806,707 and 1,224,139,360 shares of common stock at the original terms .As of June 30,2014 and September 30, 2014 this note would be convertible, at the original terms, into 1,392,162,326 shares and 1,815,638,396 shares respectively of common stock.

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Arrangement #6 (Black Arch Opportunity Fund L.P.)

On January 14, 2013, 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 November 9, 2013. Interest only is payable at the rate of 12% per annum by the Company to the holder until maturity. The instrument is convertible into the Company's common stock at 45% discount (60% while the Company's stock is "chilled" by the DTC) based upon the average of the three lowest trading days in the 10 day trading period immediately preceding such conversion. All proceeds received in connection with the above financing have been used by the Company as working capital.

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

During the three months ended September 30, 2013, the Company issued 53,313,811 shares of common stock to repay this note in full together with $1,811 accrued interest and $9,054 prepayment fees thereon. The estimated liability for the embedded conversion fee was reduced by $43,508, creating a non cash credit to earnings for this period as the note was paid in full.

Arrangement #7 (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 November 4, 2013. Interest only is payable at the rate of 8% per annum by the Company to the holder until maturity. The instrument is convertible into the Company's common stock at 60% of the volume weight average price of the stock based upon the average of the three lowest trading days in the 10 day trading period immediately preceding such conversion. All proceeds received in connection with the above financing have been used by the Company as working capital.

At the time of the transaction, the embedded conversion feature of this security and the warrant was calculated to be $57,418 and the loan discount totaled $60,418. On June 30, 2013, given the changes in the Company's stock price during the 10 day look-back period for this estimated liability had decreased to $29,729, a decrease this period of $27,689 creating a non-cash charge to earnings of that amount. During the year ended June 30, 2013, amortization of debt discount amounted to $48,787 reducing the balance to $0.

During the three months ended September 30, 2013, the Company issued 88,447,255 shares of common stock to repay this note in full, together with $2,120 accrued interest. The estimated liability for the extended conversion fee of $29,729 at June 30, 2013 was reduced to zero at September 30, 2013, creating a non cash credit to earnings for this period as the loan was repaid in full.

Arrangement #8 (Asher Enterprises, Inc. VI)

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

At the time of the transaction, the embedded conversion feature of this security and the warrant was calculated to be $28,216 and the loan discount totaled $30,626. On September 30, 2013, given the changes in the Company’s stock price during the 10 day look-back period for this estimated liability had increased to $36,212, an increase this period of $8,086 creating a non-cash charge to earnings of that amount. During the three months ended ended September 30, 2013, amortization of debt discount amounted to $30,626 reducing the balance to $0. Based upon the price of the Company’s common stock on September 30, 2013, this Note is convertible into approximately 57,688,070 shares of common stock.

On January 8, 2014 this note was prepaid in full, together with a prepayment fee of $17,500 and accrued interest totaling $2,729.

Arrangement #9 (MH Investment trust I)

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

At the time of the transaction, the embedded conversion feature of this security and the warrant was calculated to be $35,556 and the company recorded no loan discount as the quantity of shares was considered indeterminable at the date of funding. On June 30, 2014, given the changes in the Company's stock price during the 10 day look-back period for this estimated liability had increased to $88,637, an increase for this period of $53,081creating a non-cash charge to earnings of that amount. Based upon the price of the Company's common stock on June 30, 2014 this Note is convertible into approximately 100,952,381 shares of common stock. During July of 2014 this note was repaid, in full, together with $2,632 of accrued interest and $14,916 of prepayment fees.

Arrangement #10 (MH Investment trust II)

On August 26, 2014, the Company issued to the MH Investment Trust. a Convertible Note in a Private Placement pursuant to Section 4(2) of the Securities Act of 1933 which was executed funded with $40,000 in gross proceeds on May 1, 2015. The instrument is in the principal amount of $40,000 and matures on October 1, 2014. Interest only is payable at the rate of 12% per annum by the Company to the holder until maturity. The instrument is convertible into the Company's common stock at 60% of the volume weight average price of the stock based upon the average of the three lowest trading days in the 10 day trading period immediately preceding such conversion, or 65 % when the trading price exceeds $.0020 for the five days before such conversion. All proceeds received in connection with the above financing have been used by the Company as working capital.

At the time of the transaction, the embedded conversion feature of this security and the warrant was calculated to be $37,778 and the company recorded a loan discount of the same amount. On September 30, 2014, given the changes in the Company's stock price during the 10 day look-back period for this estimated liability had increased to $38,156, an increase for this period of $378 creating a non-cash charge to earnings of that amount. Based upon the price of the Company's common stock on September 30, 2014 this Note is convertible into approximately 112,222,222 shares of common stock.

The following table summarizes notes payable under convertible debt and debenture agreements as of:

	June 30, 2014	September 30, 2014
Arrangement #3 - JMJ Financial, Inc	$802,060	$ 802,060
Arrangement #6 - St. George Investments	720,157	720,157
Arrangement #9 -MH Investment trust I	40,000	-
Arrangement #10 -MH Investment trust II	-	40,000
Total notes payable	$1,562,217	$ 1,562,217
less: unamortized debt discount	-	(30,432)
Convertible Notes payable, net of discount	1,562,217	1,531,785
Convertible Notes payable-short term portion	1,522,217	1,522,217
Convertible Notes payable-long term portion	$40,000	$ 9,568

Included in accrued expenses is $285,274 and $320,700 interest accrued on these notes at June 30, 2014 and September 30, 2014 respectively.

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DERIVATIVE LIABILITY

The Company has estimated the value of the derivative liability associated with its convertible debt. Such estimate is based on a Black Scholes calculation at the time the debt was issued. At each reporting period, the value of this liability is marked to market and adjusted accordingly. Such adjustments are included in Other Income (Expense).

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

BENEFICIAL CONVERSION FEATURE

In April 2009, the Board of Directors authorized the right for the officers to convert into shares of the Company's common stock officers' loans discussed in Note 9, plus accrued interest thereon, at any time for the next five years providing such shares are issued, outstanding and available, at a conversion price of $.0075. This conversion price was amended in August 2011 to $.0040. During the fiscal year ended June 30, 2014, the officers’ were authorized by the board of directors’ to enter into agreements to convert certain officer notes, previously convertible at $.004 from 2009 through April 2014, based upon the then concurrent terms of private placements with accredited investors; at $.0004, representing the now current terms of private placements with accredited investors. On June 30, 2014, these Notes are convertible into approximately 1,275,863,375 shares of common stock, if available. As of September 30, 2014 these Notes are convertible into approximately 1,287,522,300 shares of common stock if available.

4. COMMITMENTS AND CONTINGENCIES

COMMITMENTS

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

CONTINGENCIES

As noted above, the Company is in litigation with John Fife with respect to a Convertible Note issued on September 13, 2011 in the original principal amount of $557,000. Fife is seeking damages including attorney's fees on a Motion for Summary Judgment in the amount in excess of $1,300,000. The Company has filed a motion opposing Summary Judgment and is seeking to void the Convertible Note under Section 29(b) of the Securities Exchange Act of 1934, as amended, on the basis that Fife failed to disclose a prior Consent Decree in a Registration Statement filed by the Company effective January 17, 2012 under which Fife sold shares in April of 2012. The matter is pending in the federal district court in the North East District of Illinois. The Company is unable to predict the outcome of this litigation at this time.

5.FAIR VALUE MEASUREMENTS

Effective July 1, 2008, we adopted Accounting Standards Codification ("ASC") 820-10-20, *Fair Value Measurements* , which provides a framework for measuring fair value under GAAP. ASC 820-10-20 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 820-10-20 requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. ASC 820-10-20 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.

The table below presents reconciliation for liabilities measured at fair value on a recurring basis at September 30, 2013 and 2014:

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3) Derivative Liability	
	September 30, 2013	September 30, 2014
Balance at July 1, 2013 and 2014	$ 212,023	$ 637,543
Increase (Decrease) in Derivative and associated liabilities	744,014	(237,034)
Debt discounts	(9,054)	37,778
Balance at September 30, 2013 and 2014	$ 946,983	$ 438,287

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 unobservable. Level 3 financial instruments also include those for which the determination of fair value requires significant management judgment or estimation.

Some of the Company's financial instruments are not measured at fair value on a recurring basis but are recorded at amounts that approximate fair value due to their liquid or short-term nature, such as cash and cash equivalents, receivables and payables.

We have determined that it is not practical to estimate the fair value of our notes payable because of their unique nature and the costs that would be incurred to obtain an independent valuation. We do not have comparable outstanding debt on which to base an estimated current borrowing rate or other discount rate for purposes of estimating the fair value of the notes payable and we have not been able to develop a valuation model that can be applied consistently in a cost efficient manner. These factors all contribute to the impracticability of estimating the fair value of the notes payable. At September 30, 2014, the carrying value of the notes payable and accrued interest for convertible agreements and officers' notes was approximately $2.35 million. The JMJ convertible notes, which were originally due at various times through December 31, 2012, yield an interest rate of 12%. Refer to Note 3 of these financial statements for more information about the Company's notes payable.

6. RELATED PARTY TRANSACTIONS

MICROPHASE CORPORATION

mPhase's President is also an officer and shareholder of Microphase and mPhase's Chief Operating Officer is also an employee 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 was for $5,000 per month and was on a month-to-month basis. In July 1998, the office space agreement was revised to $10,000, in January 2000 to $11,050 per month, in July 2001 to $11,340 per month, in July 2002 to $12,200 per month, in January 2003 to $10,000 per month, and in July 2003 to $18,000 per month. Additionally, in July 1998, mPhase entered into an agreement with Microphase whereby mPhase would reimburse Microphase $40,000 per month for technical research and development. In January 2003 the technical research and development agreement was revised to $20,000 per month, and in July 2003 it was further revised to $5,000 per month for technical and research development, $5,000 per month for administrative services and $5,000 per month under the office space agreement. Beginning July 1, 2006, billings for all of the above services have been $5,000 per month and in July 2008; such fees were reduced to $3,000 per month. As of July 1, 2011, the fees have increased to $3,630 per month. In addition, Microphase also charges fees for specific projects on a project-by-project basis. During the three months ended September 30, 2013 and September 30, 2014 $4,867 and $13,982 respectively, have been charged to expense. As a result of the foregoing transactions, as of September 30, 2014, the Company had a $12,275 payable to Microphase.

JANIFAST LTD.

The Company historically has purchased products and incurred certain research and development expenses with Janifast Ltd that had offices in Hong Kong and a manufacturing operation in the Peoples Republic of China in connection with products associated with its former telecommunications business that was discontinued. Janifast Ltd was owned by a company in which two directors and one former director of mPhase were significant shareholders. In March of 2009, Janifast Ltd ceased operations owing to financial distress and adverse global financial and credit conditions.

Janifast Limited had been a significant shareholder of the Company until September 19, 2009, when it transferred to Mr. Durando 11,735,584 shares, representing all the shares of the Company held by Janifast, in consideration of the cancellation in loan obligations of $181,901 to Mr. Durando in connection with the plan of its liquidation.

OTHER RELATED PARTIES

Mr. Abraham Biderman was employed until September 30, 2003 by our former investment-banking firm Lipper & Company. On September 30, 2014, Mr. Biderman's affiliated firms of Palladium Capital Advisors and Eagle Strategic Advisers were owed unpaid finders' fees in the amount of $160,000, which is included in due to related parties.

Transactions with Officers

At various points during past fiscal years the Messrs. Durando, Dotoli and Smiley provided bridge loans to the Company evidenced by individual promissory notes and deferred compensation so as to provide working capital to the Company. All of the notes are payable on demand. Total compensation (including the value of stock awards) to related parties and payables to officers and Microphase are summarized as follows:

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

Summary of compensation to related parties for the Three Months Ended September 30, 2014

	Durando	Dotoli	Smiley	K. Durando	Biderman	Microphase	Total
Consulting / Salary	$ 50,000	$ 25,000	$ 25,000				$ 288,333
Interest	$ 49,556	$ 37,614	$ 33,516				$ 120,686
Rent						$ 4,457	$ 20,090
S,G&A				$ 23,000		$ 9,525	$ 60,281
R&D							$ 0
Finders Fees					$ 10,000		$ 54,000
Total compensation for the Three Months Ended September 30, 2014	**$ 99,556**	**$ 62,614**	**$ 58,516**	**$ 23,000**	**$ 10,000**	**$ 13,982**	**$ 543,390**

Summary of compensation to related parties for the Three Months Ended September 30, 2013

	Durando	Dotoli	Smiley	K. Durando	Biderman	Microphase	Total
Consulting / Salary	$20,000	$20,000	$20,000				$60,000
Interest	$17,370	$12,230	$10,437				$40,037
Rent						$ 2,979	$2,979
S,G&A						$ 1,888	$1,888
R&D							$
Finders Fees							$
Total compensation for the Three Months Ended September 30, 2013	**$37,370**	**$32,230**	**30,437**	**$ 0**	**$ 0**	**$ 4,867**	**104,904**

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

	Durando	Dotoli	Smiley	Total Notes Payable	Biderman	Microphase	Total
Notes Payable	$287,515	$121,365	$0	$408,880			$408,880
Accrued Wages Officers	$0	$0	$0	$0			$0
Due to Officers/Affiliates					$160,000	$ 12,275	$172,275
Interest Payable	$11,702	$4,980	$89,447	$106,129			$106,129
Total Payable to Officers/ Affiliates as of September 30, 2014	$299,217	$126,345	$89,447	$515,009	**$160,000**	**$ 12,275**	$687,284

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

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

7. SUBSEQUENT EVENTS

From October 1, 2014 through November 13, 2014 the Company has completed transactions in a private placement of its common stock to investors pursuant to Rule 506 of Regulation D and Section 4(2) of the Securities Act of 1933, as amended. The Company received proceeds of $100,000, made available for working capital, in connection with the issuance of 250,000,000 shares of its common stock at $.0004.

The Company entered into a conditional lease for a production facility located in Passaic, New Jersey, the commencement of which is contingent upon the Company obtaining funding from investors pursuant to an economic development program within governmental guidelines. The Company paid $9,000 in November 2014 as the security deposit and the annual base lease cost approximates $30,000 per year for a period of five years with escalations each year up to almost $35,000 in year five, and is subject to final acceptance or cancelation by the Company on or before January 31, 2015.

ITEM 2. MANAGEMENT’S DISCUSSION OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

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

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

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

RESULTS OF OPERATIONS OVERVIEW

mPhase, a New Jersey corporation founded in 1996, is a publicly-held company with over 23,000 shareholders and approximately 14.5 billion shares of common stock outstanding. The Company’s common stock is traded on the Over the Counter Bulletin Board under the ticker symbol XDSL. We are headquartered in Norwalk, Connecticut with an office in Clifton, NJ. mPhase shares common 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 company specializing in microfluidics, microelectromechanical systems (MEMS) and nanotechnology. mPhase is in the process of 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 other product applications including medical oxygen generation, hot/cold packs and emergency lighting.

mPhase has completed a Phase II Small Business Technology Transfer Program (STTR) grant, part of the Small Business Innovation Research (SBIR) program, with the U.S. Army for continued development of a reserve Smart NanoBattery for a critical computer memory application.

Since our inception in 1996, operating activities have related primarily to research and development, establishing third-party manufacturing relationships and developing product brand recognition, and since July 1, 2007, we have focused primarily upon development of our smart reserve battery and other battery and illuminator products.

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 fearing") state to a hydrophilic ("water loving") 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 superhydrophic or superlyophobic membrane designed and fabricated by mPhase. The so-called superhydrophobic membrane applies to water and the superlyophobic membrane applies to nonaqueous or organic liquids such as ethanol or mineral oil. The difference between the two membrane types lies in the nanoscale architecture at the surface. By virtue of its superhydrophobic or superlyophobic character, the membrane, although porous, is able to physically separate the liquid electrolyte from the solid electrodes so that the battery remains dormant or inactive, thus providing no voltage or current until called upon. This electrolyte-electrode separation gives the battery the feature of potentially unlimited shelf life and the benefit of being always ready when needed, which is not necessarily the case for conventional batteries. Electrowetting alters the liquid/membrane interface so that the liquid is now able to flow over the membrane’s surface and rapidly move through the pores where it is able to contact the solid electrode materials located on the other side of the membrane.

mPhase uses MEMS to precisely control the machining of silicon-based materials at the micrometer and nanometer scales. This ability has led to the Company’s proprietary membrane design that controls the wetting and movement of liquids on a solid surface. mPhase uses microfluidics to control the flow of liquid electrolyte through the porous membrane and 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 2 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 Technology Transfer Program (STTR) grant.

In July of 2007, mPhase formed a new wholly-owned subsidiary, Always Ready, Inc., to focus on the development of its nanotechnology products. The Company has used this subsidiary as a division of the Company in order to develop increasing brand recognition of its battery product. 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 handing 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 NanoBattey 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, 2011, the Company focused upon further development of its Smart Nano Battery under a Phase II STTR grant from the U.S. Army as a potential reserve battery for a back-up computer memory application for a weapons system. The Company has recently completed such Phase II Army grant. On November 12, of 2010, the Company announced that it had successfully triggered and activated its first functional multi-cell smart nano battery. Triggering and activation of the cells of the battery were achieved by using the technique of electrowetting or programmable triggering. Triggering was accomplished by applying a pulse of electrical energy to a porous, smart surface membrane located inside each cell in the battery causing the electrolyte to come in contact with the cell's electrodes, creating the chemical reaction to produce voltage inside of the multi-cell battery. The multi-cell battery consists of a matrix of 12 individual cells populated with an electrode stack consisting of lithium and carbon monofluoride materials with each rated at 3.0 volts. Using a custom designed circuit board for testing, each of the cells in the battery were independently triggered and activated without affecting any of the non-activated cells in the multi-cell configuration. Each cell in the battery has a very long shelf-life prior to triggering.

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

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

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

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

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

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

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

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

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

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

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

On October 31, 2013, the Company announced that it had developed a cost–reduced version of its automotive battery jump starter product designed to appeal to the mass market.

During the remainder of fiscal year ended June 30, 2014 the Company began to receive its first revenues from sales of the Jump and mini Jump automotive battery jump starter from the commercial wholesale and retail markets in the United States.

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 84 emergency flashlights. The flashlight sold in the pilot program contained mPhase's proprietary mechanically-activated lithium reserve battery. The battery contains a breakable barrier that separates the solid electrodes from the liquid electrolyte until the battery is manually activated. Unlike traditional batteries, the mPhase battery remains in an inert state with no leakage or self-discharge until activation. The mPhase battery is designed to have an almost infinite shelf life making it ideal for emergency lighting applications. The premium flashlight will be marketed as an accessory for automobile roadside emergency kits. The Company maintains a small inventory of this product, which it continues to sell but does not, at this time, consider it a core product.

mPower Jump, mPower Mini Jump and mPower Jump Plus Products

During fiscal year ended June 30, 2014, the Company announced that it had commenced sales through its wholly-owned subsidiary mPower Technologies, Inc. of the mPower Jump, mPower Mini Jump and mPower Jump Plus products. .Each product is a rechargeable, compact device designed to jump start a dead battery in an automobile. Each product is rechargeable in a significantly shorter period of time than other jump starters and has a much smaller footprint enabling them to fit in the glove compartment in most cars. The Company views these three products as core strategic products.

The mPower Jump starts all 12V cars including 8 cylinder engines. Its peak current is 600 Amps and weighs 1.5 pounds. It has an operating temperature range of -4 degrees Fahrenheit to 140 degrees Fahrenheit. The mPower Mini Jump starts all 12 V vehicles and can charges smartphones, tablets and cameras and has three charging modes. It has the same temperature operating range as the mPower Jump. The mPower Jump Plus starts up to 40 vehicles on a single charge and recharges in approximately 8 hours. It has the same operating temperature range as the mPower Jump and also will fit into the glove compartment of most cars.

Finally, mPower Technologies, Inc. intends to provide multiple marketing services for small businesses and campaigns wishing to establish recognizable brands. The marketing offerings to potential clients will target improvement of their company image, assist in the growth of their service, campaign or product brands and engage their target audience by driving purchases,establishing trust and building brand loyalty.

mPower marketing support offerings could include a call center, web development and support, branding strategies, data management mining, ecommerces as well as 24/7 customer support services.

We are targeting campaigns and small businesses seeking public awareness and customer support services.

IPTV and Magnetomer

The Company has discontinued these products.

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FINANCIAL OVERVIEW

Revenues. Since October 1, 2013, quarterly revenue, if any, has primarily been attributable to sales of its Jump and Mini Jump Products

Cost of revenues. Cost associated with revenues are comprised primarily of the cost to purchase out-sourced developed and manufactured products internationally and having them private labeled under the mPower brand name. These costs may be reduced assuming the Company moves forward with the commercialization and distribution of its automotive battery jump starter product and other potential products associated with its mechanically-activated reserve battery in large volumes.

Research and development. Research and development expenses have consisted principally of direct labor and payments made to various outside vendors including Porsche Design Studio and cost reduction vendors of the Porsche Designed products outside of the United States in connection with the Company's Automotive Battery Jump Starter products. The Company is continuing to seek SBIR grants and take advantage of other U.S. government financial programs to fund continued research and development of its Smart Nano Battery..

General and administrative.General and administrative expenses consist primarily of salaries and related expenses for personnel engaged in sales of its automotive jump starter product line and legal and accounting personnel. In addition the Company form time to time will use outside consultants. Certain administrative activities are outsourced on a monthly fee basis to Microphase Corporation and mPhase leases its office in Norwalk, Connecticut from Microphase Corporation.

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

Other Income (Expense).Included in Other Expense are non-recurring items related to the change in the value of derivative securities and amortization as related debt discount. Such amounts will fluctuate significantly and should not be considered as recurring or in any way indicative of operating results. In addition, it has been the Company's policy to record as an expense the cost of re-pricing securities (Reparation Cost) to raise capital.

Cumulative losses, net worth and capital needs

The Company has incurred cumulative losses of $209,920,297 and cumulative negative cash flow from operations of $91,231,321 from inception through September 30, 2014. The auditors' report for the fiscal year ended June 30, 2014 includes the statement that "there is substantial doubt of the Company's ability to continue as a going concern". As of September 30, 2014, the Company had a negative net worth of ($3,594,400) compared to a negative net worth of ($3,554,585) as of June 30, 2014 as a result of continuing net losses.

The Company raised $210,000 from private placements of 580,000,000 shares of common stock during the three months ended September 30, 2014. The Company also issued a $40,000 Convertible Note to MH Investment Trust in August of 2014. The Company raised $86,000 from private placements of 215 million shares of its common stock plus a $37,500 Convertible Note issued to an Accredited Investor during the three months ended September 30, 2013. The Company has entered into an equity line of credit with Dutchess Capital and has registered a total of 250 million shares of common stock on an Form S-1 Registration Statement effective January 17, 2012. Under the terms of the Equity Line, the Company is eligible to "PUT" from time to time to the Dutchess fund at a price equal to 94% of the proceeds received from periodic sales of the common stock in the open market by the Dutchess fund. The Company received $0 under the Equity Line for the 3 month period ended September 30, 2013.

While the Company believes it will be able to fund short term capital needs, it will from time to time need to supplement such funding. In the longer term, we estimate that the Company will need to raise approximately $3,000,000 of additional funds through June 30, 2015 in order to fund commercialization of its products.

The Company does not expect to derive any material revenue from its nanotechnology product development during the current fiscal year. The Company estimates that material revenues from its SmartNanoBattery could occur in 18 months depending upon the Company's ability to secure federal funding in the form of SBIR grants and adoption and custom tailoring of such product as a reserve battery to a computer memory or other function for a specific weapons system. Additional revenues may be derived in fiscal year 2015 from sales of the Company's cost-reduced jump starter product depending upon the establishment of a successful licensing arrangement with a major high-end product distributor.

THREE MONTHS ENDED SEPTEMBER 30, 2014 VS. SEPTEMBER 30, 2013

REVENUE

Total revenues were $254,071 for the three months ended September 30, 2014 compared to $0 for the three months ended September 30, 2013. The increase in revenue was the result of the Company's continued roll-out of its mPower Jump products..

RESEARCH AND DEVELOPMENT

Research and development expenses were $2,502 for the three months ended September 30, 2014 as compared to $665 during the comparable period in 2013. The Company has curtailed its program in research and development in order to conserve funds during the period.

Subject to available funds, the Company expects to increase its research and development efforts throughout fiscal 2015 and 2016. Such research is expected to focus on other applications for "smart surfaces" including the Smart Nano Battery. The initial applications for the nano power cell technology will address the need to supply emergency and reserved power to a wide range of electronic devices for both commercial and defense applications.

SELLING AND MARKETING EXPENSES

Selling and marketing expenses were $55,854 for the three months ended September 30, 2014 as compared to $35,719 for the comparable period in 2013.

GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative (G&A) expenses were $428,853 for the three months ending September 30, 2014, up from $211,883 or an increase of $216,970 from the comparable period in 2013. Administrative expenses were held in check as the Company has made a concentrated effort to freeze or otherwise reduce administrative costs while it seeks to commercialize its smartnanobattery product capabilities and secure more substantial research funding for possible applications of its "smart surfaces" technology.

OTHER (EXPENSE) AND INCOME

Included in this category are non-cash gains and costs associated with convertible debt derivative liabilities that include a non-cash gain for the change in derivative value of $237,034, plus amortization of debt discount costs of $7,346 and prepayment fees of $14,916, resulting in a net gain of $214,772 from derivative liabilities associated with the Company's convertible debt and is not indicative of operating results. Additionally, net interest expense of $78,396 brought total other income to $136,376 in the current period. For the same period ended September 30, 2013, net other income totaled $821,928, consisting primarily of net loss of $744,013 from derivative liabilities, increased by interest expense of $77,915.

NET INCOME AND (LOSS)

The Company recorded net loss of $284,289 for the three months ended September 30, 2014 as compared to net loss of $1,073,195 for the three months ended September 30, 2013. This represents a net loss per common share of ($0.0) and loss per share of $(0.0) for the three month periods ended September 30, 2014 and 2013 respectively. The net loss recorded in the current period as compared to the net loss reported for the same period last year is directly attributable to the magnitude of the net gain from derivative liabilities associated with the Company's convertible debt recorded for the three months ended September 30, 2014 and is not indicative of operating results.

CRITICAL ACCOUNTING POLICIES

REVENUE RECOGNITION

As required, mPhase has adopted ASC 605-10-525 "Revenue Recognition in Financial Statements", which provides guidelines on applying generally accepted accounting principles to revenue recognition based upon the interpretations and practices of the SEC.

RESEARCH AND DEVELOPMENT

Research and development costs are charged to operations as incurred in accordance with ASC 730 "Research and Development."

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 Standards Codification Topic 815 (previously known as EITF 00-19) (SEE ALSO NOTE 3 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 was based upon the contractual life of the free standing warrants, using the Black Scholes 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 of 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 reduced to zero. 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 with FASB Standards Codification Topic 815 (previously known as 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) until August 10, 2011, when it entered into a Convertible Note for $25,000, which concurrently provided the note holder a warrant and recorded an additional derivative liability for the warrant.

DERIVATIVE LIABILITY

The Company has estimated the value of the derivative liability associated with its convertible debt. Such estimate is based on a Black Scholes calculation and is initially recorded for each convertible debt agreement at the time the debt was issued. At each reporting period, the value of this liability is marked to market and adjusted accordingly. Such adjustments are included in Other Income (Expense).

STOCK-BASED COMPENSATION

On July 1, 2005, the Company adopted the provisions of ASC 718 "Compensation - Stock Compensation" which requires companies to measure and recognizes 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 Company adopted the "modified prospective" method, whereby fair value of all previously-granted employee stock-based arrangements that remained unvested at July 1, 2005 and all grants made on or after July 1, 2005 have been included in the Company’s determination of stock-based compensation expense.

MATERIAL RELATED PARTY TRANSACTIONS

MICROPHASE CORPORATION

mPhase's President is also an officer and shareholder of Microphase and mPhase's Chief Operating Officer is also an employee 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 was for $5,000 per month and was on a month-to-month basis. In July 1998, the office space agreement was revised to $10,000, in January 2000 to $11,050 per month, in July 2001 to $11,340 per month, in July 2002 to $12,200 per month, in January 2003 to $10,000 per month, and in July 2003 to $18,000 per month. Additionally, in July 1998, mPhase entered into an agreement with Microphase, whereby mPhase would reimburse Microphase $40,000 per month for technical research and development. In January 2003 the technical research and development agreement was revised to $20,000 per month, and in July 2003 it was further revised to $5,000 per month for technical and research development, $5,000 per month for administrative services and $5,000 per month under the office space agreement. Beginning July 1, 2006, billings for all of the above services has been $5,000 per month and in July, 2008, such fees were reduced to $3,000 per month. As of July 1, 2011, the fees were increased to $3,630 per month. In July 2012, the fees were reduced to $993 per month. In addition, Microphase also charges fees for specific projects on a project-by-project basis.

During the three months ended September 30, 2014 and September 30, 2013 $ 4,867 and $13,982 respectively, have been charged to expense. As a result of the foregoing transactions as of September 30, 2014, the Company had a $12,275 payable to Microphase.

JANIFAST LTD.

The Company historically has purchased products and incurred certain research and development expenses with Janifast Ltd that had offices in Hong Kong and a manufacturing operation in the Peoples Republic of China in connection with products associated with its former telecommunications business that was recently discontinued as a business. Janifast Ltd was owned by a company in which two directors and one former director of mPhase were significant shareholders. In March of 2009 Janifast Ltd ceased operations owing to financial distress and adverse global financial and credit conditions.

Janifast Limited had been a significant shareholder of the Company until September 19, 2009, when it transferred to Mr. Durando 11,735,584 shares, representing all the shares of the Company held by Janifast, in consideration of the cancellation of loan obligations of $181,901.57 to Mr. Durando in connection with the plan of its liquidation.

During the three months ended September 30, 2013 and 2014 nothing has been charged by Janifast to inventory or is included in operating expenses in the accompanying statements of operations.

OTHER RELATED PARTIES

Mr. Abraham Biderman was employed until September 30, 2003 by our former investment-banking firm Lipper & Company. On September 30, 2014, Mr. Biderman's affiliated firms of Palladium Capital Advisors and Eagle Strategic Advisers were owed unpaid finders' fees in the amount of $160,000, which is included in due to related parties.

Transactions with Officers

At various points during past fiscal years Messrs, Durando, Dotoli and Smiley provided bridge loans to the Company evidenced by individual promissory notes and deferred compensation so as to provide working capital to the Company. All of the notes are payable on demand. During the fourth quarter of the fiscal year ended June 30, 2009, the Board of Directors authorized a conversion feature on these notes into shares of commons stock at the discretion of the holder provided such shares are authorized and available at a conversion price of $.0040 per share, which was comparable to private placements done during that quarter.

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

Summary of compensation to related parties for the Three Months Ended September 30, 2014

	Durando	Dotoli	Smiley	K. Durando	Biderman	Microphase	Total
Consulting / Salary	$ 50,000	$ 25,000	$ 25,000				$ 288,333
Interest	$ 49,556	$ 37,614	$ 33,516				$ 120,686
Rent						$ 4,457	$ 20,090
S,G&A				$ 23,000		$ 9,525	$ 60,281
R&D							$ 0
Finders Fees					$ 10,000		$ 54,000
Total compensation for the Three Months Ended September 30, 2014	**$ 99,556**	**$ 62,614**	**$ 58,516**	**$ 23,000**	**$ 10,000**	**$ 13,982**	**$ 543,390**

Summary of compensation to related parties for the Three Months Ended September 30, 2013

	Durando	Dotoli	Smiley	K. Durando	Biderman	Microphase	Total
Consulting / Salary	$20,000	$20,000	$20,000				$60,000
Interest	$17,370	$12,230	$10,437				$40,037
Rent						$ 2,979	$2,979
S,G&A						$ 1,888	$1,888
R&D							$
Finders Fees							$
Total compensation for the Three Months Ended September 30, 2013	**$37,370**	**$32,230**	**30,437**	**$ 0**	**$ 0**	**$ 4,867**	**104,904**

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

	Durando	Dotoli	Smiley	Total Notes Payable	Biderman	Microphase	Total
Notes Payable	$287,515	$121,365	$0	$408,880			$408,880
Accrued Wages Officers	$0	$0	$0	$0			$0
Due to Officers/Affiliates					$160,000	$ 12,275	$172,275
Interest Payable	$11,702	$4,980	$89,447	$106,129			$106,129
Total Payable to Officers/ Affiliates as of September 30, 2014	$299,217	$126,345	$89,447	$515,009	**$160,000**	**$ 12,275**	$687,284

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

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

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LIQUIDITY AND CAPITAL RESOURCES

The Company has incurred cumulative losses of $209,920,297 and negative cash flows from operations of $91,240,167 since inception as of September 30, 2014. The auditors' report for the fiscal year ended June 30, 2014 includes the statement that "there is substantial doubt of the Company's ability to continue as a going concern". As of September 30, 2014, the Company had a negative net worth of ($3,594,400) compared to a negative net worth of ($3,554,585) as of June 30, 2014 as a result of continuing net losses. .

The Company raised $210,000 from private placements of 580,000,000 shares of common stock during the three months ended September 30, 2014. The Company also issued a $40,000 Convertible Note to MH Investment Trust in August of 2014.

The Company raised $86,000 from private placements of 215,000,000 shares of its common stock during the three months ended September 30, 2013. Finally, 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 September 30, 2013, the Company has received $221,481of proceeds under the Equity Line. 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.

While the Company believes that private placements of its common stock to be issued from time to time will fund short term capital needs it will soon need to seek shareholder approval to increase its authorized shares of common stock. The Company is seeking to access a federal government sponsored funding programs designed to enable small business create additional job opportunities in the United States.. Such monies would be necessary primarily to fund expenditures for commercialization and distribution of its cost reduced automotive jump starter product designed for the mass market . The Company has been seeking distributors with which to establish licensing or distribution agreements in order to maximize potential revenue associated with the product.

The Company does not expect to derive any material revenue from its nanotechnology product development until after a deployment and custom tailoring of its Smart Nanobattery takes place by the Army which the Company currently estimates could occur during the next 18 months.

MANAGEMENT'S PLANS

The Company has shifted its focus to the development its automotive jump starter product and its "smart surfaces" using the science of nanotechnology. The Company believes it will continue to generate revenues with respect to its cost-reduced automotive jump starter through Fiscal 2015.The Company does not expect to derive any material revenue from its nanotechnology products under development during the next 18 months. The Company anticipates that it will need not less than $3,000,000 of additional capital to commence cost reduction, marketing and continued expansion of the distribution of its additional Jump Starter products. The Company's ability to continue as a going concern and its future success is dependent upon its ability to raise capital in the near term to: (1) satisfy its current obligations, (2) continue its research and development efforts, and (3) allow the successful wide scale development, deployment and marketing of its products.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is not exposed to changes in interest rates as the Company has no debt arrangements and no investments in certain held-to-maturity securities. Under our current policies, we do not use interest rate derivative instruments to manage exposure to interest rate changes. A hypothetical 100 basis point adverse move in interest rates along the entire interest rate yield curve would not materially affect the fair value of any financial instruments at September 30, 2014.

ITEM 4. CONTROLS AND PROCEDURES

Under the supervision and with the participation of our management, including the Chief Executive Officer and Chief Financial Officer, we have evaluated the effectiveness of our disclosure controls and procedures as required by Exchange Act Rule 13a-15(b) as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that these disclosure controls and procedures are effective.

There were no changes in our internal control over financial reporting during the quarter ended September 30, 2014 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. 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 include 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. 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.

On February 26, 2013, mPhase Technologies, Inc. (the "Company") filed its Answer to a lawsuit filed by John Fife against the Company in the U.S. District Court , Northern District of Illinois Eastern Division. 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 the result of the 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.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

All proceeds received from the following financings were used by the Company for working capital needs.

Private Placements

During the three months ended September 30, 2014, the Company issued 580,000,000 shares of its common stock in connection with private placements pursuant to Rule 506 of Regulation D of the Securities Act of 1933, as amended, raising gross proceeds of $210,000. The proceeds were used by the Company as working capital.

During the three months ended September 30, 2013, the Company issued 215,000,000 shares of its common stock in connection with private placements pursuant to Rule 506 of Regulation D of the Securities Act of 1933, as amended, raising gross proceeds of $86,000 and incurring no finder's fees. The proceeds were used by the Company as working capital.

Stock Based Compensation

During the three months ended September 30, 2014, the Company issued 5,712,857 shares of common stock compensation to employees valued at $4,081. The Company during such period did not issue any common stock, warrants or options to officers.

During the three months ended September 30, 2013, the Company did not issue any shares of common stock compensation, warrants or options to officers or employees and issued 58,800,000 shares of common stock to consultants to cover certain legal fees and expenses valued at $ 52,920, the entire amount of which is included in general and administrative expenses in the Consolidated Statements of Operations for that period.

Conversion of Debt Securities

During the three months ended September 30, 2013, $96,026 of debt including $3,971 of accrued interest and $9,054 prepayment fees thereon were converted into 141,761,066 shares of common stock.

During the three months ended September 30, 2014, there were no conversions of convertible debt and accrued interest thereon into shares of common stock.

Long Term Convertible Debentures / Debt Discount

The Company had 11 separate convertible debt arrangements with independent investors that were in effect at various times during the two fiscal years ended June 30, 2014, 3 of which were still active as of September 30, 2014.

During the three months ended September 30, 2013, $ 96,026 of debt including $3,971 accrued interest and $9,054 prepayment fees thereon was converted into 141,761,066 shares of common stock to holders of Convertible Notes.

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

Arrangement #1 (JMJ Financial, Inc.)

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

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

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

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

Arrangement #2 (JMJ Financial, Inc.)

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

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

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

During the fiscal year ended June 30, 2012, the Company reduced the note payable and debt discount by $79,000 in proportion with the amount funded to the total original funding commitment and amortization of debt discount amounted to $8,573 reducing the balance to $12,427. As of June 30, 2012, this convertible note has $321,000 outstanding which was combined with arrangement #3 JMJ Financial, Inc.

Arrangement #3 (JMJ Financial, Inc.)

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

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

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

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

As of June 30, 2012, this convertible note has $109,000 outstanding, which when combined with arrangements #8 and #9 totaled $802,060, which the Company entered into an amended agreement on June 1, 2012 whereby the Company agreed to make payments of principle and interest of $37,018 per month commencing October 1, 2012 through September 1, 2014 at 8% interest and so long as the payments are not in default then no conversions into the Company’s common stock would be available to the holder. Also as of June 30, 2012 the derivative value of the embedded conversion feature of this arrangement when combined with arrangements #2 and #3 totaled $0; which when compared to the combine value of $1,567,512 created a non-cash credit to earnings of $1,567,512 in fiscal 2012. As of, June 30, 2014, and September 30, 2014, the combined arrangements with JMJ in this note would be convertible into 237,807,785 and 242,752,575 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.

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Arrangement #5 (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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During the twelve month period ended June 30, 2012 amortization of debt discount amounted to $185,456 reducing the combined balance to $55,903. On June 30, 2013, given the changes in the Company's stock price during the 20 day look-back period for June 30, 2013, this estimated liability had decreased to $138,696, a decrease this period of $689,007, creating a non-cash credit to earnings for the year ended June 30, 2013 of that amount. During the year ended June 30, 2013, amortization of debt discount amounted to $55,903, reducing the combined balance to $0. On September 30, 2013, this estimated liability had increased to $910,771, an increase of $772,075, creating a non-cash charge to earnings for the three month period.

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 and September 30, 2013, this note would be convertible into 700,806,707 and 1,224,139,360 shares of common stock at the original terms .As of June 30,2014 and September 30, 2014 this note would be convertible, at the original terms, into 1,392,162,326 shares and 1,815,638,396 shares respectively of common stock.

Arrangement #6 (Black Arch Opportunity Fund L.P.)

On January 14, 2013, 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 November 9, 2013. Interest only is payable at the rate of 12% per annum by the Company to the holder until maturity. The instrument is convertible into the Company's common stock at 45% discount (60% while the Company's stock is "chilled" by the DTC) based upon the average of the three lowest trading days in the 10 day trading period immediately preceding such conversion. All proceeds received in connection with the above financing have been used by the Company as working capital.

At the time of the transaction, the embedded conversion feature of this security was calculated to be $70,001 and the loan discount totaled $70,001. On June 30, 2013, given the changes in the Company's stock price during the 10 day look-back period for this estimated liability had decreased to $43,508, a decrease this period of $26,423 creating a non-cash credit to earnings of that amount. During the year ended June 30, 2013, amortization of debt discount amounted to $70,001, reducing the balance to $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. During the three months ended September 30, 2013, the Company issued 53,313,811 shares of common stock to repay this note in full together with $1,811 accrued interest and $9,054 prepayment fees thereon. The estimated liability for the embedded conversion fee was reduced by $43,508, creating a non cash credit to earnings for this period as the note was paid in full.

Arrangement #7 (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 November 4, 2013. Interest only is payable at the rate of 8% per annum by the Company to the holder until maturity. The instrument is convertible into the Company's common stock at 60% of the volume weight average price of the stock based upon the average of the three lowest trading days in the 10 day trading period immediately preceding such conversion. All proceeds received in connection with the above financing have been used by the Company as working capital.

At the time of the transaction, the embedded conversion feature of this security and the warrant was calculated to be $57,418 and the loan discount totaled $60,418. On June 30, 2013, given the changes in the Company's stock price during the 10 day look-back period for this estimated liability had decreased to $29,729, a decrease this period of $27,689 creating a non-cash charge to earnings of that amount. During the year ended June 30, 2013, amortization of debt discount amounted to $48,787 reducing the balance to $0.

During the three months ended September 30, 2013, the Company issued 88,447,255 shares of common stock to repay this note in full, together with $2,120 accrued interest. The estimated liability for the extended conversion fee of $29,729 at June 30, 2013 was reduced to zero at September 30, 2013, creating a non cash credit to earnings for this period as the loan was repaid in full.

Arrangement #8 (Asher Enterprises, Inc. VI)

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

At the time of the transaction, the embedded conversion feature of this security and the warrant was calculated to be $28,216 and the loan discount totaled $30,626. On September 30, 2013, given the changes in the Company's stock price during the 10 day look-back period for this estimated liability had increased to $36,212, an increase this period of $8,086 creating a non-cash charge to earnings of that amount. During the three months ended ended September 30, 2013, amortization of debt discount amounted to $30,626 reducing the balance to $0. Based upon the price of the Company's common stock on September 30, 2013, this Note is convertible into approximately 57,688,070 shares of common stock.

On January 8, 2014 this note was prepaid in full, together with a prepayment fee of $17,500 and accrued interest totaling $2,729.

Arrangement #9 (MH Investment trust I)

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

At the time of the transaction, the embedded conversion feature of this security and the warrant was calculated to be $35,556 and the company recorded no loan discount as the quantity of shares was considered indeterminable at the date of funding. On June 30, 2014, given the changes in the Company's stock price during the 10 day look-back period for this estimated liability had increased to $88,637, an increase for this period of $53,081 creating a non-cash charge to earnings of that amount. Based upon the price of the Company's common stock on June 30, 2014 this Note is convertible into approximately 100,952,381 shares of common stock. During July of 2014 rhia Note was repaid, in full, together with $2,632 of accrued interest and $14,900 of prepayment fees.

Arrangement #10 (MH Investment trust II)

On August 26, 2014, the Company issued to the MH Investment Trust. a Convertible Note in a Private Placement pursuant to Section 4(2) of the Securities Act of 1933 which was executed funded with $40,000 in gross proceeds on May 1, 2015. The instrument is in the principal amount of $40,000 and matures on October 1, 2014. Interest only is payable at the rate of 12% per annum by the Company to the holder until maturity. The instrument is convertible into the Company's common stock at 60% of the volume weight average price of the stock based upon the average of the three lowest trading days in the 10 day trading period immediately preceding such conversion, or 65 % when the trading price exceeds $.0020 for the five days before such conversion. All proceeds received in connection with the above financing have been used by the Company as working capital.

At the time of the transaction, the embedded conversion feature of this security and the warrant was calculated to be $37,778 and the company recorded a loan discount of the same amount. On September 30, 2014, given the changes in the Company's stock price during the 10 day look-back period for this estimated liability had increased to $38,156, an increase for this period of $378 creating a non-cash charge to earnings of that amount. Based upon the price of the Company's common stock on September 30, 2014 this Note is convertible into approximately 112,222,222 shares of common stock.

EQUITY LINE OF CREDIT

The Company entered into a $10,000,000 equity line of Credit with Dutchess Opportunity Fund II, LLC in December of 2011. Under the equity line, the Company is eligible to "PUT" to the fund, 20,000,000 shares of its common stock during any pricing period. The Company has registered a total 465,076,471 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 September 30, 2013, the Company has received $221,481 of proceeds under the Equity Line. 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.

ITEM 3 DEFAULTS UPON SENIOR SECURITIES

ITEM 4 (REMOVED AND RESERVED)

ITEM 5 OTHER INFORMATION

None.

ITEM 6 EXHIBITS AND REPORTS ON FORM 8-K

Form 8-K dated September 5, 2014 announcing the sale
of a $40,000 Convertible Note to MH Investment Trust

EXHIBITS

31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes - Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes - Oxley Act of 2002.
32.1	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes - Oxley Act of 2002.
32.2	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes - Oxley Act of 2002.

SIGNATURES

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

	mPHASE TECHNOLOGIES, INC.	
Dated: November 13, 2014	By:	/s/ Martin S. Smiley
		Martin S. Smiley
		Executive Vice President Chief Financial Officer and General Counsel

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