

MPHASE TECHNOLOGIES INC
Form 10-Q
February 14, 2012

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

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

FOR THE QUARTER ENDED December 31, 2011

COMMISSION FILE NO. **000-30202**

FORM 10-Q

mPhase Technologies, Inc.

(Exact name of registrant as specified in its charter)

NEW JERSEY
*(State or other jurisdiction of
incorporation or organization)*

22-2287503
*(I.R.S. Employer
Identification Number)*

587 CONNECTICUT AVE., NORWALK, CT
(Address of principal executive offices)

06854-1711
(Zip Code)

(203) 838-2741
ISSUER'S TELEPHONE NUMBER

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

YES [X] NO []

**THE NUMBER OF SHARES OUTSTANDING OF EACH OF THE REGISTRANT'S CLASSES OF
COMMON STOCK AS OF February 5, 2012 IS 2,877,764,439 SHARES, ALL OF ONE CLASS OF \$.01 PAR
VALUE COMMON STOCK.**

mPHASE TECHNOLOGIES, INC.

INDEX

	<u>PAGE</u>
<u>PART I FINANCIAL INFORMATION</u>	<u>3</u>
<u>Item 1 Consolidated Balance Sheets June 30, 2011 (Audited) and December 31, 2011 (Unaudited)</u>	<u>3</u>
<u>Unaudited Consolidated Statements of Operations-Three Months Ended December 31, 2010 and 2011 and from October 2, 1996 (Date of Inception) to December 31, 2011</u>	<u>4</u>
<u>Unaudited Consolidated Statements of Operations-Six Months Ended December 31, 2010 and 2011 and from October 2, 1996 (Date of Inception) to December 31, 2011</u>	<u>5</u>
<u>Unaudited Consolidated Statement of Changes in Stockholders' Equity (Deficit) Six Months Ended December 31, 2011</u>	<u>6</u>
<u>Unaudited Consolidated Statement of Cash Flow-Six Months Ended December 31, 2010 and 2011 and from October 2, 1996 (Date of Inception) to December 31, 2011</u>	<u>7</u>
<u>Notes to Consolidated Financial Statements</u>	<u>8</u>
<u>Item 2 Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>18</u>
<u>Item 3 Quantitative and Qualitative Disclosures about Market Risk</u>	<u>27</u>
<u>Item 4 Controls and Procedures</u>	<u>27</u>
<u>PART II OTHER INFORMATION</u>	
<u>Item 1. Legal Proceedings</u>	<u>28</u>
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>28</u>
<u>Item 3. Defaults Upon Senior Securities</u>	<u>35</u>
<u>Item 4. (Removed and Reserved)</u>	
<u>Item 5. Other Information</u>	<u>35</u>
<u>Item 6 Exhibits and Reports on Form 8-K</u>	<u>35</u>
<u>Signature Page</u>	<u>36</u>

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

	June 30, 2011	December 31, 2011 (unaudited)
ASSETS		
CURRENT ASSETS		
Cash	\$ 1,744	\$ 2,009
Stock subscription receivable	50,000	-
Inventory	102,532	100,318
Prepaid and other current assets	35,242	29,216
TOTAL CURRENT ASSETS	\$ 189,518	\$ 131,543
Property and equipment, net	45,114	42,262
Other Assets	-	12,500
TOTAL ASSETS	\$ 234,632	\$ 186,305
LIABILITIES AND STOCKHOLDERS DEFICIT		
CURRENT LIABILITIES		
Accounts payable	\$ 735,145	\$ 749,922
Accrued expenses	162,038	206,821
Due to related parties	177,242	176,761
Notes payable, related parties	875,724	952,154
Short term notes	65,000	65,000
Accounts Payable and Accrued Expenses-Discontinued Activities	868,376	868,376
Current Portion, Long term debt	11,486	12,156
TOTAL CURRENT LIABILITIES	\$ 2,895,011	\$ 3,031,190
Long term portion Equipment loan	16,315	10,066
OTHER OBLIGATIONS CONVERTIBLE TO EQUITY- (Note 3)		
Convertible debt derivative liability	1,664,575	249,700
Convertible debentures, net of discount of \$300,000 and \$288,259 on June 30, 2011 and December 31, 2011, respectively	1,250,505	1,409,110
COMMITMENTS AND CONTINGENCIES -(Note 4)		
STOCKHOLDERS DEFICIT		
Common stock, par value \$.01, 6,000,000,000 shares authorized, 1,628,502,264 and 2,795,950,740 shares issued and outstanding at June 30, 2011 and December 31, 2011, respectively	16,285,022	27,959,507
Additional paid in capital	172,775,132	168,510,973
Deferred Compensation	-	(283,083)
Deficit accumulated during development stage	(194,643,955)	(200,693,185)
Less-Treasury stock, 13,750 shares at cost	(7,973)	(7,973)

TOTAL STOCKHOLDERS DEFICIT		(\$5,591,774)		(\$4,513,761)
TOTAL LIABILITIES AND STOCKHOLDERS DEFICIT	\$	234,632	\$	186,305

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

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

	For the Three Months Ended		Date of Inception to December 31, 2011
	December 31, 2010	December 31, 2011	
REVENUES	\$ 1,343	\$ 1,261	\$ 744,900
COSTS AND EXPENSES			
Cost of Sales	5,191	1,007	117,542
Research and Development (including non-cash stock related charges of \$0, \$0 and \$205,733 for the three months ended December 31, 2010 & 2011 and inception to date respectively)	140,815	9,985	12,308,950
General and Administrative (including non-cash stock related charges of \$0, \$0 and \$19,274,854 for the three months ended December 31, 2010 & 2011 and inception to date respectively)	446,701	346,820	34,465,334
Depreciation and Amortization	3,873	3,681	585,692
TOTAL COSTS AND EXPENSES	596,580	361,493	47,477,518
OPERATING LOSS	\$ (595,237)	\$ (360,232)	\$ (46,732,618)
OTHER INCOME (EXPENSE)			
Interest (Expense)	(25,401)	(44,285)	(2,742,560)
Net Reparation, Impairment and Other Income (Expense)	0	0	(6,582,981)
Net (Charges)/Credits related to Convertible Debt	(100,471)	534,509	(91,213)
TOTAL OTHER INCOME (EXPENSE)	(125,872)	490,224	(9,416,754)
Income (Loss) From Continuing Operations, before Income Taxes	(721,109)	129,992	(56,149,372)
Income (Loss) From Discontinued Operations, Net of Income Taxes of \$0 in 2010 and 2011, offset by benefit from tax loss carryforwards of \$0 in 2010 and 2011 (including non-cash stock related charges of \$0, \$0 and \$57,515,718 for the three months ended December 31, 2010 & 2011 and inception to date	-	-	(144,543,812)

respectively)

Income Taxes	-	-	-
Net Income (Loss)	\$ (721,109)	\$ 129,992	\$ (200,693,184)

Net loss per share from:

Continuing Operations-Basic	\$ 0.00	\$ 0.00
Discontinued Operations-Basic	-	-
Continuing Operations-Diluted	N/A	\$ 0.00
Discontinued Operations-Diluted	N/A	-

Weighted Average Number of Shares Outstanding;

Basic	1,226,037,125	2,765,647,479
Diluted	N/A	3,608,180,728

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

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

	For the Six Months Ended		Date of Inception to December
	December 31, 2010	December 31, 2011	31, 2011
REVENUES	\$ 30,151	\$ 1,261	\$ 744,900
COSTS AND EXPENSES			
Cost of Sales	14,658	1,578	117,542
Research and Development (including non-cash stock related charges of \$0, \$0 and \$205,733 for the six months ended December 31, 2010 & 2011 and inception to date respectively)	334,595	51,388	12,308,950
General and Administrative (including non-cash stock related charges of \$62,945, \$6,520,500 and \$19,274,854 for the six months ended December 31, 2010 & 2011 and inception to date respectively)	969,695	7,235,281	34,465,334
Depreciation and Amortization	7,746		