MPHASE TECHNOLOGIES INC
Form 10-K
June 18, 2018

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

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

FOR THE YEAR ENDED **JUNE 30, 2017**

COMMISSION FILE NO. **000-30202**

mPHASE TECHNOLOGIES, INC.

(Name of issuer in its charter)

NEW JERSEY	**22-2287503**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
688 New Dorp Lane	
	10306-4933
Staten Island, New York	
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: **973-256-3737**

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

COMMON STOCK, $.001 PAR VALUE

(Title of Class)

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

Yes No

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

Yes No

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 No

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

Yes No

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

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

Large accelerated filer		Accelerated filer
Non-accelerated filer	(Do not check if a smaller reporting company)	Smaller reporting company
		Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

Yes No

As of June 30, 2017, the aggregate market value of the registrant's common stock held by non-affiliates of the registrant was $ 1,418,689 based upon the closing sale price as of that date. As of June 30, 2017, there were 17,764,713,048 shares of common stock, $.001 par value, outstanding.

As of June 11, 2018, there were 16,460,514,523 shares of common stock, $.001 par value, outstanding.

Documents Incorporated by Reference

None.

ANNUAL REPORT ON FORM 10-K

FOR THE YEAR ENDED JUNE 30, 2017

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PART I

FORWARD-LOOKING STATEMENTS

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

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

ITEM 1. BUSINESS

General Description of the Business

mPhase Technologies, Inc. (“mPhase” or the “Company”) is a publicly-held New Jersey corporation. The Company has approximately 23,000 shareholders and approximately 17,772,643,845 shares of common stock outstanding as of June 30, 2017. The Company was founded in 1996 and its common stock is traded on the Over the Counter Bulletin Board under the ticker symbol XDSL. The Company had offices in Clifton, New Jersey as well as Norwalk, Connecticut during fiscal year ended June 30, 2016. Beginning in July of 2017 the Company moved its office to Staten Island, New York.

The Company has faced a very challenging environment since March of 2016. Lack of available funds to pay its outside auditors and other transaction costs associated with timely filings with the Securities and Exchange Commission (“SEC”) of its periodic financial statements has resulted in the Company being delinquent with respect to such filings starting with its Form 10Q for the 3-month period ended March 31, 2016. The Company is using its best efforts to secure funding required to complete all of its delinquent SEC filings and thereafter remain current with respect to such filings.

mPhase is a company specializing in the research, development and fabrication of “smart surfaces” using materials science engineering, and enabled by breakthroughs in nanotechnology science and the principles of microfluidics and micro-electromechanical systems (MEMS). The Company is developing products for both commercial and military applications. To date the Company has concentrated its efforts in Smart Surface Technology on research and development of its Smart Nanobattery.

As of June 30, 2017 the Company has a patent portfolio of 16 patents (licensed, solely and jointly owned), including patent applications pending or subject to reinstatement, in the United States. The patents cover our battery products and our Smart Surfaces Technology –an innovative platform to control the flow of fluids by manipulating the ways liquids behave when in contact with a solid or porous surface.

The Company’s first application, using its Smart Surface technology, is a Smart NanoBattery providing Power On Command™. The patent pending and patented battery technology, based on the phenomenon of electrowetting, offers an innovative way to store energy and manage power. Features of the Smart NanoBattery include potentially infinite shelf life prior to initial activation, environmentally friendly design, fast ramp to power, programmable control, and direct integration with microelectronic devices. The platform technology behind the Smart NanoBattery is a porous nanostructured material used to repel and precisely control the flow of liquids. The material has a *Smart Surface* that

can potentially be designed for other innovative products such as a transdermal smart drug delivery system.

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

The Smart NanoBattery and *Smart Surface* technology is still in development and has not reached a commercialization stage.

In a separate effort, mPhase introduced, through mPower Technologies, Inc., a wholly-owned subsidiary, a product line of four emergency portable jumpstarters for the automotive/marine industries. The following products of mPower Technologies, Inc. generated totals of $20,516 and $523,116 in revenue for the Company in the 12-month periods ending June 30, 2017 & 2016.

In April of 2016, the Company began to wind-down and discontinue this entire product line of Jump Starters and Related Products sold through its subsidiary mPower Technologies, Inc. due to increased competition, contracting margins, and lack of funds to purchase substantial inventory, resulting in purchase volume discounts (See “Subsequent Events” describing the Company’s termination of its entire line of mPower Technologies, Inc products in order to conserve financial resources).

Description of Operations

Microfluidics, MEMS, and Nanotechnology

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

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

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

In the Smart NanoBattery application, mPhase uses electrowetting as a new technique to activate or literally “turn on” a battery once it is ready to be used for the first time. At the heart of the Smart NanoBattery is a porous, nanostructured superhydrophic or superlyophobic membrane designed and fabricated by mPhase. The so-called superhydrophobic membrane applies to water and the superlyophobic membrane applies to nonaqueous or organic liquids such as ethanol or mineral oil. The difference between the two membrane types lies in the nanoscale architecture at the surface. By virtue of its superhydrophobic or superlyophobic character, the membrane, although porous, can 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 can contact the solid electrode materials located on the other side of the membrane. mPhase uses MEMS, to precisely control the machining of silicon-based materials at the micrometer and nanometer scales. This ability has led to the Company's proprietary membrane design that controls the wetting and movement of liquids on a solid surface. mPhase uses microfluidics to control the flow of liquid electrolyte through the porous membrane and is also the basis for other possible applications such as drug delivery and water filtration systems.

History of Nanotechnology Operations

Smart NanoBattery

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

In addition beginning in February of 2005, mPhase contracted with Bell Labs to develop a magnetometer using the science of nanotechnology. The Company suspended development of this product in 2007 in order to conserve financial resources and focus its nanotechnology efforts primarily on development of innovative battery products.

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

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

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

In March of 2008, mPhase announced that it had been invited to submit a proposal for a Phase II STTR grant based upon the successful work it had performed on the Phase I grant to develop a version of the Smart NanoBattery referred to as the multi-cell, micro-array reserve battery for a critical memory backup application. The Phase II grant in the gross amount of $750,000 (shared with Rutgers University which netted $500,000 to mPhase) 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 can be increased to a period of time in excess of twenty years. In April of 2008, the Company announced that it had successfully activated it first Smart NanoBattery prototype by electrowetting using a hard-wired configuration and a remotely-activated device. Remote activation plays a key role in providing power to wireless sensors systems and radio frequency identification tags.

Also, in April of 2008, the Company announced that it had successfully produced its first lithium-based reserve battery with a soft or pouch package and breakable separator (in place of the electrowettable membrane) that relies on mechanical rather than electrical activation to provide Power On Command™. The Company believed that was a significant milestone in moving from a low energy density zinc-based battery to a higher energy density lithium-based battery.

In fiscal years ended June 30, 2009 and June 30, 2010, the Company focused upon further development of its Smart NanoBattery under a Phase II STTR grant from the U.S. Army as a potential reserve battery for a back-up computer memory application. The Company has 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 nanobattery. 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 of each of its patents in order to identify a strategic partner whose products line will need the Company's SmartNanoBattery as a compelling solution.

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

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 Smart NanoBattery 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 preset 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 nanobattery technology. Frost& Sullivan noted that the smart nanobattery is sustainable, cost-effective, easy to handle, and possesses a long shelf life, all of which clearly differentiate it from competing battery technologies. Frost & Sullivan further noted that this positions the technology to enhance the effectiveness of conventional batteries and encourage widespread use of reserve batteries.

On March 27, 2014 the Company entered into a three-year renewal of the Cooperative Research and Development Agreement (CRADA) with the United States Army Armament Research, Development and Engineering Center at Picatinny Arsenal of February of 2011. This agreement provides for further joint research and development of the Smart Nanobattery as a power source for smart munitions. The continuation of actual research and development under the CRADA is dependent upon the Company securing additional funding from either the capital markets or from various grant programs to be identified and applied for from the United States government.

On November 17, 2014 the Company announced an update on the drug delivery system patent application filed on February 12, 2013. In December of 2013 the patent office examiner indicated that a significant portion of the claim was patentable. On June 26, 2015 the USPTO issued a new Office Action rejecting the claims. A timely response was filed on September 28, 2015 making minor amendments to the claims to avoid newly cited prior art. The Company is seeking to have all of the claims patented. The drug delivery system utilizes the Company's Smart Surface Technology.

During fiscal year ended June 30, 2015, the Company, through its consumer subsidiary mPower Technologies, Inc., ("mPower"), successfully increased sales of the mPower Jump product as well as the mPower Mini Jump product. The mPower Jump is a rechargeable, compact device designed to jump start a dead battery in an automobile with engines up to 5 liters. The mPhase Jump is rechargeable in a significantly shorter period of time than lead acid jumpstarters and has a much smaller footprint, enabling it to fit in the glove compartment in most cars. The mPower Mini Jump, a smaller version of the product, about the size of a smart phone, is a multipurpose charger of batteries. It is designed to start dead batteries in recreational toys, such as all-terrain vehicles, snowmobiles, motorcycles and jet skis-even a full-size car with engines up to 2.5 liters. It is versatile enough to also charge small electronic devices including cell phones.

During fiscal year ended June 30, 2015, mPower began sales of the Jump Plus, a very powerful version of the Jump product line, powerful enough to jumpstart 12-volt vehicles with engines up to 6 liters. In addition, mPower introduced to the market and commenced sales of its mPower Truck Jump product designed to start dead batteries in most 12-volt battery systems, including trucks with engines up to 12 liters.

During the fiscal year beginning in July 2015 the Company experienced a significant decline in revenues and margins with respect of its jump starter products due to increased competition. The Company did not have purchasing power and financial strength significant enough to (a) obtain significant discounts from its main vendor of such products to lower cost, (b) carry a large volume on inventory of such products compared to its competitors or (c) maintain exclusivity of such products with its main vendor. As a result, the Company's financial position became weaker and in April of 2016 the Company closed its office in Norwalk, Connecticut that had housed both inventory storage and distribution in order to conserve financial resources.

During the fiscal year ended June 30, 2016 the Company received $12,500 for the sale of a patent and $18,000 from the sale of a vehicle to Mr. Dotoli and Debt cancellation of $18,000.

The Company has been unable to file its quarterly and annual reports with the SEC commencing in the third quarter of fiscal year ended June 30, 2016 owing to its overall lack of capital to pay its outside auditors and bear the various transaction costs associated with such filings. In the fiscal year commencing July 1, 2017 the Company has begun an effort to become current in its SEC filings. The ability of the Company to successfully complete such filings will

depend on its ability to raise sufficient funds to engage its outside auditors estimated to be $100,000 and related costs estimated to be $5,000.

DISCONTINUED BUSINESS-

Discontinuance of Internet Protocol Television (IPTV) during Fiscal Year 2010

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

Discontinuance of Jump Stater Products during Fiscal Year 2016

As noted above, in April of 2016 the Company began discontinuing its operations in its wholly-owned subsidiary mPower Technologies, Inc. which was focused primarily on its line of jump starters for automotive and marine batteries in addition to its line of home generating battery products and its electric illuminator product developed with Porsche Design Studio. The Company is selling off its remaining inventory of such products in order to raise additional funds for working capital purposes and its presently very limited operations. (See Commencing in April of 2016, the Company began discontinuing its line of Jump Starter products owing to increased competition and declining margins. The Company continues the wind-down of its remaining inventory of such products estimated to have a value of $3,477 as of June 30, 2017 (See Note 3 caption- “discontinued operations”).

Nanotechnology Products

Platform Technology

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

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

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

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

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

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

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

Smart NanoBattery

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

mPhase is challenging this convention by using their proprietary superhydrophobic porous silicon membrane technology as the basis to build the Smart NanoBattery, a reserve battery providing Power On Command™ prior to initial activation.

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

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

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

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

Applications

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

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

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

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

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

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

Strategic Alliances

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

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

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

BUSINESS OF THE COMPANY

During fiscal year ended June 30, 2015, the Company announced the beginning of sales through mPower of the Jump Plus product that is able to start up to 40 vehicles on a single charge. In addition, mPower introduced its Truck Jump product designed to start dead batteries in larger vehicles and trucks. During the second quarter of fiscal year ended June 30, 2015 mPower recorded a significant increase in sales of the two jump start products.

On December 15, 2014, John Fife, the holder of a $550,000 Convertible Note issued by the Company was granted summary judgment in a Lawsuit and on January 28, 2015 a judgment was ordered against the Company in the amount of $777,769.08 plus (i) pre-judgment interest in the amount of 18% per annum compounding daily from May 31, 2012 , (ii) post-judgment interest on such amount plus the Pre-Judgment Interest at the rate provided by law from the date of the Judgment, and (iii) attorneys' fees and costs in the amount of $288,031.57.

On February 2, 2015, the Securities and Exchange Commission upheld the denial by FINRA to process a proposed reverse stock split for the Company since two officers of the Company had previously been subject to regulatory actions involving securities law violations.

On February 6, 2015 the Company entered into a Forbearance Agreement with John Fife in connection with his Judgment against the Company requiring the Company to pay on February 15, 2015 $15,000 and thereafter on or before the 15th day of each month thereafter the Company agrees to pay to Holder the following amounts (the "***Monthly Cash Payments***"): $30,000.00 per month for the first six (6) Monthly Cash Payments; $35,000.00 per month for the second six (6) Monthly Cash Payments; and $50,000.00 per month thereafter until the Forbearance Amount has been paid in full.

In April of 2015 the Company began accruing, rather than paying, the salaries of three officers of the Company. Messrs. Durando, Dotoli and Smiley in the respective amounts of $120,000, $ 48,000 and $48,000.

On August 11, 2015 the Company and John Fife entered into an Amendment to the Forbearance Agreement Monthly Payments to provide that on or before the 15th day of each month the Company agrees to pay to Holder the following amounts (the "Monthly Cash Payments"): $30,000.00 per month on each of the following dates: March 15, 2015, April 15, 2015, May 15, 2015, June 15, 2015, and July 15, 2015; $15,000.00 per month on each of the following dates: August 15, 2015 and September 15, 2015; $20,000.00 per month on each of the following dates: October 15, 2015, November 15, 2015, and December 15, 2015; $35,000.00 per month on each of the following dates: January 15, 2016 and February 15, 2016 and March 15, 2016; and $50,000.00 per month thereafter until the Forbearance Amount has been paid in full.

During fiscal year ended June 30, 2015, the Company announced the beginning of sales through mPower of the Jump Plus product that is able to start up to 40 vehicles on a single charge. In addition, mPower introduced its Truck Jump product designed to start dead batteries in larger vehicles and trucks. During the second quarter of fiscal year ended June 30, 2015 mPower recorded a significant increase in sales of the two jump start products. The Company discontinued the business of its mPower Jump product in September of 2016 and commenced minimal operations in order to preserve capital.

In April of 2016, the Company closed its offices and inventory control center located in Norwalk, Connecticut in order to preserve capital and commenced the wind down of its Jump Starter product line sold through mPower Technologies, Inc. At such time the Company terminated all employees other than the three officers and one accounting consultant.

On May 12, 2016 the Company and John Fife entered into a second Amendment to the Forbearance Agreement to provide that on May 17, 2016 the Company shall pay $8,500.00 cash to Holder and the Company further agreed to pay to Holder $50,000.00 per month, beginning on June 15, 2016 and continuing on or before the 15th day of each month thereafter until the Forbearance Amount has been paid in full. In connection with the Forbearance Agreement, as amended, the Company has deposited 1,000,000,000 shares of its common stock with Fife as security for performance of its obligations.

During the period beginning in April 2017 and continuing to the present the Company has maintained only a small office in Staten Island, New York and maintained minimal operations.

On December 28, 2017 the Company entered into a non-binding letter of intent with Scepter Commodities, LLC for the proposed acquisition by Scepter of 80% of the fully-diluted shares of the Company on a reverse split basis. The Company and Scepter amended the letter of intent several times (See “Subsequent Events”) extending the time period for the Company to become current in its SEC filings.

Products& Services

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

Smart NanoBattery

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

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

The Smart NanoBattery utilizes a proprietary technology developed over a period of 11 years. The battery design, prior to initial activation, has a membrane that separates the electrolyte and electrodes used to generate power. Conventional batteries do not provide for such separation and therefore their power begins to dissipate prior to the first time they are activated causing them to lose capacity. Conventional batteries have significant limits on how long they can be stored prior to their first activation and in providing a reliable source of power needed for critical applications requiring portable power supplies.

Competitive Business Conditions

Battery Segment

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

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

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

Outsourcing

Research and Development

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

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

Commencing in fiscal year ended June 30, 2013, the Company has not engaged in any further outsourcing for product development of its Smart NanoBattery in order to conserve resources. During fiscal year 2014 the Company began purchasing a cost reduced version of a battery jump starter products. Such purchasing increased significantly in fiscal year 2015 as a result of the roll-out of the mPower Jump products.

Patents and Licenses

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

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

The Company has intellectual property as follows:

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

Various aspects of the mPhase technology are protected by patents either owned directly by the Company or with respect to which the Company has sub-licensing rights. The Company’s current battery related patent portfolio consists of ten issued or licensed patents, of which one is jointly owned with Nokia Corporation (formerly Alcatel Lucent Technologies), and five are licensed from Nokia Corporation. These cover such aspects of the technology as the ability to use electrowetting to create a moveable liquid lens, methodology and apparatus for reducing friction between a fluid and a body, methodology for etching planar silicon substrates to develop a reserve battery device, methodology and apparatus for controlling the flow resistance of a fluid on nanostructured or microstructured surfaces, methodology for creating a structured membrane with controllable permeability, methodology for a nanostructured battery with end of life cells, and methodology for making a multi-cell battery system with multiple chemistries in each individual cell of the battery pack. Some of these patents are specific to the development of a battery device while others are more generalized. The Company has four patent applications that are subject to reinstatement, of which three, the Company intends to submit for reinstatement.

Other Patents

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

The Company has obtained trademark protection for its mPower Emergency Illuminator™ and mPower on Command™.

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

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

On February 10, 2012 the Company filed a U.S. provisional patent with the USPTO for a Non-Pump Enabled Drug Delivery System.

On February 11, 2013 the provisional patent application was converted to a patent application entitled Drug Delivery System.

As of the date hereof, the Company has rights under the following patents:

File Number	Invention Title	Filing Date	Issue Date	Patent Number	Patent Office
ALWA-001	Battery System	3/20/2008	9/20/2011	8,021,773	United States
ALWA-004	Tunable Liquid Microlens With Lubrication Assisted Electrowetting	9/13/2001	4/8/2003	6,545,815	United States
ALWA-005	Method And Apparatus For Controlling Friction Between A Fluid And A Body	8/27/2003	1/2/2007	7,156,032	United States
ALWA-006	Electrowetting Battery Having A Nanostructured Electrode Surface	11/18/2003	6/5/2007	7,227,235	United States
ALWA-007	Method And Apparatus For Controlling The Flow Resistance Of A Fluid On Nanostructured Or Microstructured Surfaces	9/30/2003	2/28/2012	8,124,423	United States
ALWA-009	Structured Membrane With Controllable Permeability	7/28/2006	4/13/2010	7,695,550	United States
ALWA-010	End Of Life Cycle, Nanostructured Battery	3/18/2004	11/17/2009	7,618,746	United States
ALWA-011	Adjustable Barrier For Regulating Flow Of A Liquid	8/10/2007			United States
ALWA-012	Event Activated Micro Control Devices	8/10/2007			United States
ALWA-013	Combined Wetting/Non-Wetting Element For Low and High Surface Tension Liquids	1/25/2008			United States
ALWA-014	Device For Fluid Spreading And Transport	1/25/2008		8,435,397	United States
ALWA-017	Electrical Device Having A Reserve Battery Activation System	9/2/2009			United States
ALWA-019	Modular Device	9/2/2009	1/1/2013	8,344,543	United States
ALWA-022	Reserve Battery	7/8/2009			United States
ALWA-029	Portable Battery Booster	9/17/2010			United States
ALWA-034	Reserve Battery System	3/2/2010	2/12/2013	8,372,531	United States
ALWA-038	Adjustable Barrier for Regulating Flow of a Liquid	3/10/2010			
*ALWA-043	Combined Wetting/Non-Wetting Element For Low and High Surface Tension Liquids (SOUTH KOREA)	8/18/2010			SOUTH KOREA
ALWA-046	Adjustable Barrier For Regulating Flow Of A Liquid				United States
ALWA-047	Drug Delivery System	2/11/2013			United States

Subject to Reinstatement

We also rely on unpatented proprietary technology, and we can make no assurance that others may not independently develop the same or similar technology or otherwise obtain access to our unpatented technology.

Research and Development

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

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

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

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

Commencing in fiscal year ended June 30, 2011, the Company engaged Porsche Design Studio to develop a jump starter for a dead battery as an additional automotive product for the Company. During fiscal year ended June 30, 2012, the Company continued the development of its Smart Nano Battery and progressed in the development of a final prototype of its jump starter product. In fiscal years ended June 30, 2013 and June 30, 2014 the Company cost-reduced its jump-starter product and began sales of its jump starter and mini jump starter products. The Company increased significantly the number of units sold of its previously developed mPower jump-starter products and rolled out two new products, the mPower Jump Plus and the mPower Truck Jump.

During fiscal years ended June 30, 2015 and June 30, 2016, the Company focused upon commercialization and sales of its since discontinued Jump Starter Products. Owing to limited resources the Company did not perform significant further research and development of its Smart Nano Battery during such period.

Employees

mPhase and its subsidiary companies presently have a total of 3 full-time employees who are the officers of the Company, and one accounting consultant.

ITEM 1A. RISK FACTORS

Risks Relating to the Company's Complete Dependence upon the Development of New Products

Our current "smart surface technology" is at an early stage of development and we may not develop products that can be commercialized.

We have derived very limited revenues from a Phase I Army Grant of approximately $100,000 and a Phase II Army Grant of approximately $750,000 with respect to our Smart NanoBattery product from inception of development in February 2004 through June 30, 2017.

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

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

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

We have generated modest revenue to date from our operations. Historically we have had net operating losses each year since our inception. The Company has not generated significant revenue outside of STTR grants with respect to its Smart Nano Battery or other potential products related to Smart Surfaces. Additionally, even if we are able to commercialize our technologies or any products or services related to our technologies it is not certain that they will result in profitability.

The Company has never made an operating profit in its history.

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

We have limited resources to manage development activities.

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

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

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

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

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

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

Risks Relating to Technology

We are dependent on new and unproven technologies.

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

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

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

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

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

Risks Related to Intellectual Property

Certain aspects of our technology are not protectable by patent.

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

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

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

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

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

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

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

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

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

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

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

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

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

Our products may not be accepted in the marketplace.

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

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

Marketing and distribution support for our products.

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

Risks Related to Third Party Reliance

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

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

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

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

Fund research and development activities with us;

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

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

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

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

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

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

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

Risks Related to Competition

The market for energy storage products is highly competitive.

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

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

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

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

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

RISKS RELATED TO FINANCIAL ASPECTS OF OUR BUSINESS

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

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

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

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

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

Competing technological and market developments,

Market acceptance of our proposed products,

The costs for recruiting and retaining employees and consultants.

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

Risks Relating to Our Debt Financings

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

We had outstanding, as of June 30, 2017, aggregate principal amount of $1,615,266, plus accrued interest of $413,271, of convertible debt, that could be converted into approximately shares of common stock immediately, and up to 4 shares of common stock if the forbearance agreement discussed below is settled in shares of common stock. Sales of a substantial number of shares of our Common Stock in the public market could adversely affect the market price for our Common Stock and make it more difficult for you to sell shares of our Common Stock at times and prices that you feel are appropriate.

As of December 15, 2014, a Convertible Debenture Holder has a Judgment in the amount of approximately $1.6 million entered into by the United States District Court of the Northern District of Illinois

The Company has entered into a Forbearance Agreement, as amended with John Fife currently its largest Convertible Security holder arising out of a lawsuit and judgment in connection with the default on a Convertible Note in the original principal amount of $550,000 issued on September 13, 2011. The monthly payment is required either in cash or by issuing Fife additional shares of common stock at a 20% discount from the market price of the Company's common stock. Failure to pay such amount either as a result of an inability to pay such amount will enable Fife to immediately enforce the entire amount of the Judgment.

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

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

power of holders of our Common Stock.

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

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

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

The market price of our common stock closed at $7.88 on July 26, 2000 and at $.0001 as of June 30, 2017. During such period the number of shares outstanding of the Company increased from approximately 30 million shares to approximately 18 billion shares. This increase was the result of periodic private placements and other financing arrangements involving convertible debt issued by the Company in order to finance company operations. Stocks in microcap companies having stock values below $1.00 per share have been very volatile during such period. Our common stock is a highly speculative investment and is suitable only for such investors with financial resources that enable them to sustain the loss of their entire investment in such stock. Because the price of our common stock is less than $5.00 per share and is not traded on the NASDAQ National or NASDAQ Small Cap exchanges, it is considered to be a "penny stock," limiting the type of customers that broker/dealers can sell to. Such customers consist only of "established customers" and "Accredited Investors" (within the meaning of Rule 501 of Regulation D of the Securities Act of 1933, as amended), generally individuals and entities of substantial net worth, thereby limiting the liquidity of our common stock.

We may not be able to raise sufficient capital to market our Smart NanoBattery product applications of our technology on any meaningful scale.

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

(1) the price, volatility and trading volume of our common stock;

(2) future financial results including sales and revenues generated from operations;

(3) the market's view of the business sector of nanotechnology reserve batteries and emergency flashlights; and

(4) the perception in the capital markets of our ability to execute our business plan.

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

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

We have had net losses of approximately $211,992,596 since our inception in 1996 and cannot be certain when or if we will ever be profitable. We expect to continue to have net losses for the foreseeable future. We need to raise not less than $1 million in additional cash in the next 12 months through further equity private placements to continue operations. As of June 30, 2017, we have working capital deficit of approximately $(4,510,426) and a stockholders' deficit of $(4,508,941).

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

The reports of the Company's outside auditors Assurance Dimensions, and its prior auditors D'Arelli Pruzansky, P.A., Demetrius Berkower, LLC., Rosenberg, Rich, Baker, Berman & Company, and Arthur Andersen & Co., with respect to its latest audited reports on Form10-K for each of the fiscal years commencing in the fiscal year ended June 30, 2001 through the fiscal year ended June 30, 2017, stated that "there is substantial doubt of the Company's ability to continue as a going concern." Such opinion from our outside auditors makes it significantly more difficult and

expensive for the Company to raise additional capital necessary to continue our operations.

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

As of June 30, 2017, outstanding convertible debt plus accrued interest is equal to $2,468,610 which could have the right to convert into additional shares of our common stock at discounts of up to 20% of mPhase's then current stock price computed on a formula basis that may adversely affect the future price of our common stock that may result in future conversion shares of our Common Stock based upon our stock price at June 30, 2017.

RISK FACTORS RELATED TO OUR OPERATIONS

We have not to date had completed final military or commercial development of our flagship product, the Smart NanoBattery.

We have derived no material revenues from our Smart NanoBattery from inception of development in February 2004 through June 30, 2017.

The loss of key personnel could adversely affect our business

Management and employment contracts with all of our officers have expired and no assurances can be given that such executives will remain with the Company or that the Company will be able to successfully enter into agreements with such key executives. All of our officers have made significant investments in the Company in the form of equity periodic purchases of common stock and bridge loans and been granted stock and stock options that are intended to represent a key component of their compensation. Such grants may not provide the intended incentives to such officers if our stock price declines or experiences significant volatility. In addition our three corporate officers accumulated past accrued and unpaid salaries in the aggregate amount of approximately $538,777 certain notes and accrued interest were settled for stock and an amended conversion feature (see Note 9) during the FYE June 30, 2017 and have continued to have accrued and unpaid portions of their respective salaries during the fiscal year ended June 30, 2017.

RISKS RELATED TO OUR TARGETED MARKETS

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

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

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

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

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

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

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

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

resources.

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

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

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

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

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General Risks Relating to Our Business

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

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

Our insurance policies are limited in scope and coverage and may potentially expose us to unrecoverable risks.

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

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

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

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

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

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

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

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

ITEM 2. PROPERTIES

The Company leases office and storage space in Staten Island, New York

The lease is month to month with a rent of $400 per month plus allocated utilities.

The property located in Norwalk Connecticut has limited security and was abandoned in February 2016. We have recorded $22,000 of arrearage with respect to the unpaid rental obligations as a result of such abandonment.

ITEM 3. LEGAL PROCEEDINGS

On February 2, 2015 the Securities and Exchange Commission upheld the denial of a corporate action by the Financial Industry Regulatory Authority (FINRA) in connection with the Company's seeking to reverse split its common stock pursuant to FINRA Rule 6490 (see Securities Exchange Act of 1934 Release No 7418 Admin Proc File No. 3-15130 of February 2, 2015). The action was found as deficient by FINRA on the basis that two corporate officers and directors of the Company had previously entered into a Consent Decree with the SEC in October of 2007 by them when they were previously officers of another company named Packetport.com.

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 December 15, 2014, a Memorandum Opinion and Order was issued by the United States District Court Northern District of Illinois Eastern Division granting the motion of John Fife, plaintiff ("Plaintiff"), for summary judgment against mPhase Technologies, Inc. (the "Company") for breach of contract (the "Opinion"). All other claims and counterclaims were dismissed.

Effective February 10, 2015, the Company entered into a Forbearance Agreement with the Holder. The agreement provides that the Holder would forego his right to enforce its remedies pursuant to the judgment, which include demand for immediate payment of approximately $1.6 million, provided the Company satisfy its forbearance obligation of $1,003,943, and after accounting for a payment of $15,000 the Company paid, under the terms of the agreement.

The terms of the agreement, as amended, provide for interest to accrue on the unpaid portion at 9% per annum with monthly payments in cash or conversions into common stock of the Company; commencing with an initial $15,000 payment due on February 15, 2015, and thereafter and on or before the 15th day of each month thereafter the Company agrees to pay to Holder the following amounts ; $30,000.00 per month on each of the following dates: March 15, 2015, April 15, 2015, May 15, 2015, June 15, 2015, and July 15, 2015; $15,000.00 per month on each of the following dates: August 15, 2015 and September 15, 2015; $20,000.00 per month on each of the following dates: October 15, 2015, November 15, 2015, and December 15, 2015; $35,000.00 per month on each of the following dates: January 15, 2016 and February 15, 2016 and March 15, 2016; and $50,000.00 per month thereafter until the Forbearance Amount has been paid in full. The Company has been able to meet its monthly payment obligations through September 2015.

As of August 11, 2015 the Company entered into an Amendment No. 1 with Fife to the Forbearance Agreement rescheduling the monthly payment schedules (see Form 8K filed with the SEC on August 2, 2015).

As of January 19, 2016 the Company entered into a Second Amendment to the Forbearance Agreement again rescheduling certain of the monthly payments. The Amendment was filed with the SEC on Form 8k on January 22, 2016.

As of May 12, 2016 the Company entered into a Third Amendment to the Forbearance Agreement again rescheduling certain of the monthly payments. The Amendment was filed with the SEC on Form 8k on May 23, 2016.

On August 18, 2017 the Company entered into a Judgment Settlement Agreement with John Fife with respect to the Judgment in favor of Fife, which reduces the balance under the amended agreement to $360, 000, without conversion rights, in connection with the default by the Company under a Convertible Debenture dated September 13, 2011.

In April of 2017, the Company received a judgment from the Federal District Court of Northern Illinois Eastern Division in its favor with prejudice dismissing a claim by River North Equity covering Convertible Securities of the Company which effectively negated the two notes River North Equity obtained from JMJ Financial. At June 30, 2017 the amount recorded in Current Liabilities for all three convertible notes and accrued interest thereon previously issued to JMJ Financial was $1,212,940. At June, 30 2017 the amount recorded in Current Liabilities for the two notes and accrued interest thereon subject to the River North Equity claim was $1,046,416.

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PART II

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

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

YEAR/QUARTER	HIGH	LOW
Fiscal year ended June 30, 2017		
First Quarter	$0.0001	$0.00
Second Quarter	0.0001	0.00
Third Quarter	0.0001	0.00
Fourth Quarter	0.0001	0.00
Fiscal year ended June 30, 2016		
First Quarter	$0.0001	$0.00
Second Quarter	0.0001	0.00
Third Quarter	0.0001	0.00
Fourth Quarter	0.0001	0.00

(B) HOLDERS

Common Stock

As of June 30, 2017, mPhase had approximately 17,764,713,048 shares of common stock outstanding and approximately 23,000 stockholders of record. The Company originally reserved 1,000,000,000 shares for obligations to John Fife of which 812,500,000 and187,500,000 shares of common stock were converted in Fiscal Year June 30, 2016 and 2017 respectively resulting in no shares remaining in the forbearance reserve maintained by the transfer agent for issuance upon the conversion of convertible securities of which may be required to be issued under the forbearance obligation with John Fife. At June 30, 2017 this obligation was convertible into approximately 10,123,399,750 shares of the Company's Common stock, and presently has been renegotiated whereby no additional

shares would be available for conversion upon completion of approximately $300,000 in cash payments. Finally, subject to availability, the Company has reserved 1,645,777,500 shares for conversion of officer notes. Such notes may only be converted if the Board of Directors determines that such shares are not needed for general corporate financing or other purposes.

Preferred stock

At a Special Meeting of the Board of Directors of the Company held on December 31, 2013 the Board authorized 20,000,000 shares of a new class of Series A $25 par value preferred stock with a 6% quarterly cumulative dividend payable in preferred stock. The Series A preferred stock have a conversion feature into common stock commencing two years from the date of purchase. To date no shares of Series A preferred stock have been issued.

(C) DIVIDENDS

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

ITEM 6. SELECTED CONSOLIDATED FINANCIAL DATA

Not Applicable

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

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

RESULTS OF OPERATIONS

OVERVIEW

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

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

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

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

Discontinuance of Jump Stater Products during Fiscal Year 2016

Commencing in April of 2016, the Company began discontinuing its line of Jump Starter products owing to increased competition and declining margins. The Company continues the wind-down of its remaining inventory of such products estimated to have a value of $3,477 as of June 30, 2017 (See Note 3 under the caption “Discontinued Operations”).

YEAR ENDED JUNE 30, 2017 VS. JUNE 30, 2016

Continuing Operations

General and Administrative Expenses. General and administrative expenses charged to continuing operations were $228,386 for the year ended June 30, 2017 compared to $677,218 for the year ended June 30, 2016, a decrease of $448,832. The Company reduced the salaries of the three officers of the Company in fiscal year ended June 30, 2017 and laid off full time employees resulting in lower accrued payroll of approximately $98,000 to executive officers and $68,000 in cash payments for staff as compared to fiscal year ended June 30, 2016. The Company also cut approximately $280,000 of other administrative expenses, primarily for office space and professional fees in the current year from the prior year.

Other Income and Expense. Interest expense charged to continuing operations was $302,905 in FYE 2016 as compared to $302,386, an increase of $519 due to larger liability balances. During the FYE 2017 other income from continuing operations included $153,320 of debt extinguishments. During the FYE 2016 other income from continuing operations included $17,350 from debt extinguishments and $18,000 from vehicle sale. The FYE 2017 did not include a non-cash gain resulting from the change in derivative value attributed to continuing operations, compared to FYE 2016 which did include a non-cash gain of $31,726 from the aforementioned change.

Continuing Operations – (continued)

Net loss. mPhase recorded a net loss of $381,920 from continuing operations for the year June 30, 2017, less a $71,155 gain from discontinued operations, resulting in a net loss of $310,765 for the current year as compared to a net loss of $947,060 in the prior year, which consisted of a $915,611 loss from continuing operations and a $231,227 loss from discontinued operations, reduced by $199,778 for the Cumulative Effect of the Change in Accounting Estimate relating to our derivative liability for the year ended June 30, 2016.

This represents a loss per common share of ($0.00) in 2017 as compared to $(0.00) in 2016, based upon weighted average common shares outstanding of 17,904,555,752 and 16,541,510,237 during the years ending June 30, 2017 and June 30, 2016 respectively.

Discontinued Operations

Revenues. Total revenues for the year ended June 30, 2017 decreased to $20,516 from $523,116 in Fiscal 2016, or $502,600. The revenue decrease for the current fiscal year was derived solely from decreased the sales of the mPower Jump products.

Cost of sales**.** Cost of sales decreased $368,770 for the year ended June 30, 2017 to $20,471 from $389,241 in Fiscal 2016. This decrease is directly attributable to the decreased sales of our mPower Jump products.

Research and Development. Research and development expenses were $38 for the year ended June 30, 2017 as compared to $802 for the year ended June 30, 2016, a decrease of $764. Such decrease is attributable to the wind-down of the Company's efforts to sell its Jump Products.

Selling and Marketing Expenses. Selling and marketing expenses were $11,154 for the year ended June 30, 2017 compared to $139,672 for the year ended June 30, 2016, a decrease of $128,518. The decrease is attributable to the reduction of the Company's sales force and marketing efforts with respect to its line of Jump Products.

General and Administrative Expenses. General and administrative expenses charged to discontinued operations were $78,228 for the year ended June 30, 2017 compared to $179,101 for the year ended June 30, 2016 a decrease of

$100,873. The Company reduced the salaries of the three officers of the Company in fiscal year ended June 30, 2017 and laid off full time employees resulting in lower accrued payroll charged to discontinued operations of approximately $30,000 to executive officers and $8,479 in cash payments for staff as compared to fiscal year ended June 30, 2016. The Company also cut approximately $37,000 of other administrative expenses, primarily for office space and professional fees in the current year from the prior year.

Other Income and Expense. Interest expense charged to discontinued operations was $47,635 in FYE 2017 as compared to $64,248, a decrease of $16,613 due to larger liability balances in FYE 2016 for an Inventory Loan. During the current FYE 2017 other income from discontinued operations included $12,500 from the conditional sale of a patent and $195,664 of settlement income. During the FYE 2016, other income from discontinued operations included $12,500 from the conditional sale of a patent and $2,300 of debt extinguishments. The FYE 2016 included a non-cash gain resulting from the change in derivative value attributed to discontinued operations of $3,921.

Net loss from Discontinued Operations. mPhase recorded a net gain from discontinued operations of $71,155 for the year ended June 30, 2017 as compared to $231,227 for the year ended June 30, 2016.

This represents a loss from discontinued operations per common share of ($0.00) in 2016 as compared to $(0.00) in 2015, based upon weighted average common shares outstanding of 17,904,555,752 and 16,541,510,237 during the years ending June 30, 2017 and 2016 respectively.

LIQUIDITY AND CAPITAL RESOURCES

The Company has incurred cumulative losses of ($211,992,596) and a working capital deficit of ($4,510,426) as of June 30, 2017. The auditors' report for the fiscal year ended June 30, 2017 includes the statement that "there is substantial doubt of the Company's ability to continue as a going concern". As of June 30, 2017, the Company had a negative net worth of ($4,508,943) compared to a negative net worth of ($4,375,248) as of June 30, 2016 as a result of continuing net losses.

During the twelve months ended June 30, 2017, the Company issued 900,000,000 shares of its common stock in connection with private placements, pursuant to Rule 506 of Regulation D and Section 4(a)(2) of the Securities Act of 1933, as amended, raising net proceeds of $40,500 and incurred finder's fees in the amount of $4,500. The proceeds were used by the Company as working capital.

During the twelve months ended June 30, 2016, the Company issued 1,116,666,667 shares of its common stock in connection with private placements, pursuant to Rule 506 of Regulation D and Section 4(a)(2) of the Securities Act of 1933, as amended, raising net proceeds of $180,000 and incurred finder's fees in the amount of $20,000. The proceeds were used by the Company as working capital.

Also, during the twelve months ended June 30, 2016, an unaffiliated shareholder advanced the Company $35,000, which was converted into 175,000.000 shares of the Company's common stock. During the fourth quarter of fiscal year ended June 30, 2017 this unaffiliated shareholder advanced the Company $1,000. Additionally, the Director who had loaned the Company $90,000 in the fourth quarter of the fiscal year ended June 30, 2015 advanced the Company $20,000 in the twelve months ended June 30, 20176, net of repayments. The Director has not demanded repayment, and together with $7,123 & 5,486 of accrued interest for the fiscal years ended June 30, 2017 & 2016 results in a balance of $122,609 outstanding as of June 30, 2017

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 increase its authorized shares of common stock.

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 in the foreseeable future owing to its current financial condition which does not allow further work to complete the product.

Going Concern

The accompanying financial statements have been prepared on a going concern basis. The Company has used net cash in its operating activities of approximately $56,000 and $211,000 during the year ended June 30, 2017 and 2016, respectively and has a working capital deficit of approximately $4.5 million at June 30, 2017.

The Company's ability to continue as a going concern is dependent upon its ability to obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due, to fund possible future acquisitions, and to generate profitable operations in the future, once a merger with an operating company is consummated. Management plans may continue to provide for its capital requirements by issuing additional equity securities and debt and the Company will continue to find possible acquisition targets. The outcome of these matters cannot be predicted at this time and there are no assurances that, if achieved, the Company will have sufficient funds to execute its business plan or generate positive operating results.

Capital Raising Transactions

During the fiscal years ended June 30, 2017 & 2016, the Company received $40,500 and $180,000 of net proceeds from the issuance of 900,000,000 and 1,116,666,667 shares of common stock in private placements with accredited investors, incurring finder's fees of $40,500 and $20,000, respectively.

Conversion of debt securities

During the fiscal year ended June 30, 2017 & 2016 the Company incurred the conversion of $15,000 and $80,000 of Convertible Debt and Accrued Interest thereon relating to the forbearance agreement into 187,500,000 and 812,500,000 shares of the Company's Common stock, respectively, and in fiscal 2016 an unaffiliated shareholder advanced the Company $35,000, which was converted into 175,000.000 shares of the Company's common stock during fiscal 2016.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements.

Climate Change

Our opinion is that neither climate change, nor governmental regulations related to climate change, have had, or are expected to have, any material effect on our operations.

Critical Accounting Policies

The Company's critical accounting policies are as follows:

Convertible Instruments - The Company evaluates and accounts for conversion options embedded in its convertible instruments in accordance with ASC 815.

ASC 815 generally provides three criteria that, if met, require companies to bifurcate conversion options from their host instruments and account for them as free standing derivative financial instruments in accordance with EITF 00-19. These three criteria include circumstances in which (a) the economic characteristics and risks of the embedded derivative instrument are not clearly and closely related to the economic characteristics and risks of the host contract, (b) the hybrid instrument that embodies both the embedded derivative instrument and the host contract is not re-measured at fair value under otherwise applicable generally accepted accounting principles with changes in fair value reported in earnings as they occur and (c) a separate instrument with the same terms as the embedded derivative instrument would be considered a derivative instrument subject to the requirements of ASC 815. ASC 815 also provides an exception to this rule when the host instrument is deemed to be conventional (as that term is described).

The Company accounts for convertible instruments (when it has determined that the embedded conversion options should not be bifurcated from their host instruments) in accordance with the provisions of ASC 470 20 "Debt with Conversion Options" Accordingly, the Company records, when necessary, discounts to convertible notes for the intrinsic value of conversion options embedded in debt instruments based upon the differences between the fair value of the underlying common stock at the commitment date of the note transaction and the effective conversion price embedded in the note. Debt discounts under these arrangements are amortized over the term of the related debt to their earliest date of redemption. The Company also records when necessary deemed dividends for the intrinsic value of conversion options embedded in preferred shares based upon the differences between the fair value of the underlying common stock at the commitment date of the note transaction and the effective conversion price embedded in the note.

The Company believes the certain conversion features embedded in convertible notes payable are not clearly and closely related to the economic characteristics of the Company's stock price. Accordingly, the Company has recognized derivative liabilities in connection with such instruments. The Company uses judgment in determining the fair value of derivative liabilities at the date of issuance at every balance sheet thereafter. The Company uses judgment in determining which valuation is most appropriate for the instrument (e.g., Black Scholes), the expected volatility, the implied risk free interest rate, as well as the expected dividend rate.

ITEM 7A. QUALITATIVE AND QUANTITATIVE DISCLOSURES ABOUT MARKET RISKS

Not Applicable

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information required by this item is included in Item 15 of this Annual Report on Form 10-K.

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

None.

ITEM 9A. CONTROLS AND PROCEDURES

Assessment of Internal Controls Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to management, including our President and Chief Executive Officer and our Chief Financial Officer (our principal financial and accounting officer) to allow timely decisions regarding required disclosure based closely on the definition of "disclosure controls and procedures" in Rule 13a-15(e).

As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with participation of management, including our President and Chief Executive Officer and our Chief Financial Officer (our principal financial and accounting officer), of the effectiveness of the design and operation of our disclosure controls and procedures. Based on the foregoing, our President and Chief Executive Officer and Chief Financial officer have concluded that our disclosure controls and procedures were effective.

Management's Report on Internal Control over Financial Reporting

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

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

The Company's management assessed the effectiveness of the Company's internal control over financial reporting as of June 30, 2017. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis.

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.

The Company did identify control deficiencies regarding its present accounting structure:

Lack of segregation of duties and control procedures that would include multiple levels of supervision and review have both been limited due to the reduced level of accounting staff and the Company's lack of funding.

The Company remediated these deficiencies by increasing the role of an external contract controller.

There was a change in our internal control over financial reporting during the Year Ended June 30, 2017, which included the laying off the Company's accounting manager, which the Company remediated by the increased involvement of an external contract controller. The result of the changes in our internal control over financial reporting and the Company's remediation steps to address the change, the Company believes it has made the necessary adjustments so that there were no changes in our internal control over financial reporting during the Year Ended June 30, 2017 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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

Changes in Internal Control over Financial Reporting

The Company has obtained, on a fee basis, an outside consultant to act as an accounting manager to assist the Company with the accounting of convertible debentures and derivatives and the consultant was utilized during all four quarters of each of the fiscal years ended June 30, 2017 & 2016. However, mPhase Technologies is a small company with a total staff of approximately 3 full-time employees, at reduced salary, and one accounting & one bookkeeping consultant. This size limits, and may continue to limit, the Company's ability to provide for adequate backup of financial personnel. Accordingly, efforts individually and in the aggregate may be insufficient to fully eliminate the condition that could adversely affect the organization's ability to record, summarize and report financial data consistent with the assertions of management in the financial statements.

There were no changes in our internal control over financial reporting during the fiscal year ended June 30, 2017 that have materially affected, other than the increased inventory control procedures we instituted as discussed above, or are

reasonably likely to materially affect, our internal controls over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Executive officers are selected by the Board of Directors. No family relationships exist between any of the executive officers or directors. The following table sets forth certain information with respect to each person who is an executive officer or director. mPhase's executive officers and directors as of June 30, 2017 are as follows:

NAME	AGE	POSITION(S)
Ronald A. Durando	60	Chief Executive Officer and Director
Gustave T. Dotoli (2)	82	Chief Operating Officer and Director
Martin Smiley	69	Chief Financial Officer
OUTSIDE DIRECTORS		
Abraham Biderman (1)(2)	69	Director
Dr. Victor Lawrence	68	Director

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

RONALD A. DURANDO is a co-founder of mPhase and has served as the Company's President, Chief Executive Officer and Director since its inception in October 1996. Since 1994 through February 2015, Mr. Durando had been an Officer of Microphase Corporation. Mr. Durando was a Director of Microphase Corporation and since February 2015, Mr. Durando has been employed as a Strategic Advisor to Microphase Corporation. From 1986-1994, Mr. Durando was President and Chief Executive Officer of Nutley Securities, Inc., a registered broker-dealer. Mr. Durando also served as president of PacketPort until his resignation in February, 2008, when PacketPort merged with Wyndstorm Corporation.

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

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

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

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

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

On October 19, 2007, the Company announced that in connection with the settlement and dismissal of a civil law suit originally filed on November 16, 2005 by the Securities and Exchange Commission in the Federal District Court in the District of Connecticut, the SEC issued a Cease and Desist Order and certain remedial sanctions against two officers of mPhase Technologies, Inc. (the "Company"). The civil suit was filed against Packetport.com, Inc. a Nevada corporation, Microphase Corporation, a Connecticut corporation that provides administrative services to the Company and shares common management with the Company, and others. The two officers of the Company were Mr. Ronald A. Durando, President and Chief Executive Officer and Mr. Gustave T. Dotoli, the Chief Operating Officer. The civil suit by the SEC named as respondents Mr. Durando, Mr. Dotoli and others in connection with their activities as officers and directors of Packetport.com. The cease and desist order from the SEC found that (1) all parties had

violated Section 5 of the Securities Act of 1933, as making unregistered offers or sales of Packetport.com common stock, (2) Mr. Durando and Mr. Dotoli had violated Section 16(a) of the Securities Exchange Act of 1934, as amended, and Rule 16(a) thereunder by failing to timely disclose the acquisition of their holdings on Form 3's, and (3) Mr. Durando had violated Section 13(d) of the Securities Exchange Act of 1934, as amended, for failing to disclose the acquisition of more than five percent of the stock of Packetport.com. Under the order Mr. Durando was required to disgorge $150,000 and Mr. Dotoli was required to disgorge $100,000. The Company was not named as a party to the civil suit. More information regarding the detailed terms of the settlement can be found in SEC release No 8858 dated October 18, 2007 promulgated under the Securities Act of 1933 and SEC Release No. 56672 dated October 18, 2007 promulgated pursuant to the Securities Exchange Act of 1934. Mr. Durando and Mr. Dotoli have continued to serve as officers and directors of the Company. Mr Durando and Mr. Dotoli together with Microphase corporation and others, without admitting or denying the findings of the SEC, except as to jurisdiction and subject matter, have consented to the entry of the Order Instituting Cease and Desist Proceedings, Making Findings and Imposing a Cease and Desist Order and Remedial Sanctions pursuant to Section 8A of the Securities Exchange Act of 1933 and Section 21C of the Securities Exchange Act of 1934.

SECTION 16 (A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Directors, executive officers, and individuals owning more than 10 percent of mPhase common stock are required to file initial reports of ownership and changes in ownership with the SEC under Section 16(a) of the Securities Exchange Act of 1934, as amended. The SEC regulations also require those persons to provide copies of all filed Section 16(a) reports to the Company. mPhase has reviewed the report copies filed in fiscal year 2014 and, based also on written representations from those persons, the Company believes that there was compliance with Section 16(a) filing requirements for fiscal year 2016. All the officers and directors filed all of the required forms in a timely manner.

ITEM 11. EXECUTIVE COMPENSATION

NAME& PRINCIPAL POSITION	YEAR	SALARY	BONUS	STOCK AWARDS	OPTION AWARDS	NON-EQUITY INCENTIVE	PENSION VALUE	OTHER	TOTAL
Ronald Durando Chief Executive Officer	2017	$100,00 (2)	$ -	$ -	$ -	$ -	$ -	$22,242 (1)	$122,242
	2016	$160,000 (2)	$ -	$ -	$ -	$ -	$ -	$21,282 (1)	181,282
Gustave Dotoli Chief Operating Officer	2017	$40,000	$ -	$ -	$ -	$ -	$ -	$8,020 (1)	$48,020
	2016	$74,000	$ -	$ -	$ -	$ -	$ -	$8,713 (1)	$82,713
Martin Smiley CFO and General Counsel	2017	$40,000	$ -	$ -	$ -	$ -	$ -	$7,026 (1)	$47,026
	2016	$74,000	$ -	$ -	$ -	$ -	$ -	$6,753 (1)	$80,753

FOOTNOTES

(1) Interest on loans to the Company.

(2) Does not include $14,500 & $59,500 of fees charged by Karen Durando, the wife of the Company's president, for product marketing services during the fiscal years ended June 30, 2017 & 2016.

OUTSTANDING EQUITY AWARDS at FISCAL YEAR END JUNE 30, 2017

	Number of Securities underlying Unexercised Options (Exercisable)	Number of Securities underlying Unexercised Options (Unexercisable)	Equity Incentive Plan awards Number of Securities	Option Exercise Price	Option Expiration Date	Number of shares of stock that has not been vested	Market Value of Shares not vested	Equity Incentive
Ronald Durando President CEO	-	-	-	$ - $		-	-	-
Gustave Dotoli	-	-	-	$ -		-	-	-

COO				$				
Martin Smiley	-	-	-	$	-	-	-	-
Executive VP				$				
CFO Chief Legal Counsel				$				

EMPLOYMENT AGREEMENTS WITH EXECUTIVE OFFICERS

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

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

The members of the Compensation Committee during fiscal 2016 were Messrs. Dotoli and Biderman. Mr. Biderman has never been an mPhase officer or employee. None of the Company’s directors or executive officers served as a member of the Compensation Committee (or other board committee performing equivalent functions or, in the absence of such committee, the entire Board of Directors) of another entity during fiscal 2016 that has a director or executive officer serving also as a director on mPhase’s Board of Directors.

COMPENSATION OF DIRECTORS

No Directors received compensation for their services as a Director.

AUDIT COMMITTEE

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

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth as of June 30, 2017 certain information regarding the beneficial ownership of our shares:

1. by each person who is known by us to be beneficial owner of more than five percent (5%) of our outstanding common stock;

2. each of our directors;

3. by each executive officer named in the summary Compensation Table; and

4. by all of our directors and executive officers as a group.

June 30, 2017

AFFILIATES (1 & 2)	Shares	Warrants/ conversion rights	Options	TOTAL	%
Victor Lawrence	10,100,000	-	-	10,100,000	0.06 %
Anthony Guerino	-	-	-	-	0.00 %
Abraham Biderman	45,226,890	306,521,850	-	351,748,740	2.10 %
Gustave Dotoli (3)	10,500,004	345,955,700	-	356,455,704	2.12 %
Ron Durando (3)(4)	774,819,609	987,677,700	-	1,762,497,309	10.10%
Ned Ergul	24,213,343	-	-	24,213,343	0.15 %
Martin Smiley (3)	8,760,629	295,113,950	-	303,874,579	1.81 %
Total Affiliates	873,620,475	1,935,269,200	-	2,808,889,675	16.34%

(1) Unless otherwise indicated, the address of each beneficial owner is 688 New Dorp Lane,Staten Island, New York, New York 10306.

(2) Unless otherwise indicated, mPhase believes that all persons named in the table have sole voting and investment power with respect to all shares of the Company beneficial owned by them. The percentage for each beneficially owner listed above is based on 16,460,514,523 shares outstanding on June 5, 2018, and, with respect to each person holding options or warrants to purchase shares that are exercisable within 60 days after June 5, 2018 the number of options and warrants are deemed to be outstanding and beneficially owned by the person for the purpose of computing such person’s percentage ownership, but are not deemed to be outstanding for the purpose of computing the percentage ownership of any other person.

(3)

Includes as warrants 987,667,700 shares, 345,955,700 shares and 295,113,950 shares issuable for loans plus accrued interest based upon loan balances at June 30, 2017, if converted for Messrs. Durando, Dotoli and Smiley respectively. Such conversions are subject to availability of authorized shares. On April 27, 2009, and amended as of August 25, 2011; the board of directors consolidated all amounts outstanding for all obligations to the officers, including unpaid compensation, and authorized the issuance of new notes with a term of five years, an interest rate of 12% and a conversion feature at a price of $.0040 on amounts outstanding plus accrued interest thereon. During the fiscal years ended June 30, 2009, June 30, 2010 and in the three months ended September 30, 2011, the Company recorded $914,060, $82,609 and $2,360, respectively, of beneficial interest expense with respect to the conversion feature. During the fiscal year ended June 30, 2014, the officers were authorized by the board of directors' to enter into agreements to convert certain officer notes, previously convertible at $.004 from 2009 through April 2014, based upon the then concurrent terms of private placements with accredited investors; at $.0004, representing the now current terms of private placements with accredited investors. During the fiscal year ended June 30, 2014 the Company recorded $1,342,274 of beneficial conversion feature interest expense with respect to the conversion feature. During the years ended June 30, 2015, 2016 & 2017 the Company recorded beneficial conversion feature interest expense of $121,570 with respect to the conversion feature. Also includes as warrants 306,521,850 shares issuable for loans plus accrued interest based upon the loan balance to Mr. Abe Biderman, at June 30, 2017.

(4) Includes 555,671,992 shares owned by Karen Durando, his wife.

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ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE

Material Related Party Transactions

The Company has material related party transactions. The Company has incurred costs for engineering, design and production of prototypes and certain administrative functions from Microphase Corporation.

Mr. Durando, President and CEO of mPhase, was an officer of Microphase Corporation until January 22, 2015. Mr. Ergul is a director of Microphase Corporation until December 1, 2016.

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

During fiscal year ended June 30, 2017 the three officers of the Company received a total of $0 cash payments toward their respective aggregate unpaid salaries of $180,000 which was accrued as unpaid compensation increasing the amount owed to such officers. Such action was necessary for the Company to conserve financial resources to continue minimal operations.

During fiscal year ended June 30, 2015 the three officers of the Company received a total of $346,147 of their aggregate salaries and a total of $58,333 of their respective aggregate unpaid salaries of $400,000 was accrued as unpaid compensation owed to such officers. Such action was necessary for the Company to conserve financial resources to continue minimal operations. Such unpaid salary is convertible into common stock of the Company at $.0004 per share at the option of each of such officers. During the fiscal year ended June 30, 2015, no such debt conversions have been exercised by any of the officers.

During the years ended June 30, 2017 and 2016, a firm owned by Mr. Biderman charged finders’ fees of $4,500 and $20,000 in connection with raising $40,500 and $180,000 in private placements for the Company which funds were used for working capital purposes.

Conversion Feature and Conversions of Debt to Officers'

The Company amended the conversion feature to provide for the conversion of the remaining Officers' loans into shares of common stock at a conversion price of $.0004 for a term of five years effective March 31, 2014.

During fiscal year ended June 30, 2016, officers of the Company did not convert any of the officer notes into common stock. The Company amortized $121,570 of the approximately $455,894 previously deferred charge to beneficial conversion feature interest expense for the year ended June 30, 2016. At June 30, 2016 $334,318 of deferred charges for beneficial conversion feature interest expense remain as a reduction of additional paid in capital which will be amortized on a straight-line basis over the life of the warrant or sooner if and when converted.

At June 30, 2016 these notes and accrued interest at the rate of 6% totaled $597,331. On June 30, 2016, these Notes are convertible into approximately 1,493,326,550 shares of common stock, if available.

During fiscal year ended June 30, 2017, officers of the Company did not convert any of the officer notes into common stock. The Company amortized $121,570 of the approximately $334,318 previously deferred charge to beneficial conversion feature interest expense for the year ended June 30, 2017. At June 30, 2017 $212,748 of deferred charges for beneficial conversion feature interest expense remain as a reduction of additional paid in capital which will be amortized on a straight-line basis over the life of the warrant or sooner if and when converted.

The Company recorded $37,288 and $36,748 interest expense on these notes for the years ended June 30, 2017 and 2016, respectively.

At June 30, 2017 these notes and accrued interest at the rate of 6% totaled $658,331. On June 30, 2017, these Notes are convertible into approximately 1,645,777,500 shares of common stock, if available.

Transactions with Microphase Corporation

mPhase's President was also an employee of Microphase until January 22, 2015. 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. The Company is obligated to pay a 3% royalty to Microphase on revenues from its proprietary Traverser Digital Video and Data Delivery System and DSL component products. In April of 2016 mPhase ceased to be a tenant of Microphase establishing its own independent office in Norwalk, Connecticut.

During the years ended June 30, 2017 and 2016, Microphase Corporation charged the Company $0 and $4,500 for rent. Mr. Ergul, retired as the chairman of the board of mPhase in Nov 2007. Mr. Ergul and his family had owned a controlling interest and he is a director of Microphase Corporation. On February 9, 2015 Mr. Durando assigned all his interests in the Capital Stock of Microphase to the RCKJ Trust as the Grantor. The beneficial owners for economic purposes at that time were Mr. Durando's children. Mr. Durando was a strategic employee of Microphase Corporation from January 2, 2015 through May 31, of 2017. On June 2, 2017 the RCKJ Trust, the holder of Durando's prior interest in Microphase, and the Ergul Family Limited partnership, the holder of Ergul's prior interest in Microphase, exchanged all (its) there shares of stock in Microphase in exchange for shares of stock in Digital Power Corporation, a publicly-held company then listed on the New York Stock exchange.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES.

Audit Fees

The audit fees billed to us by Assurance Dimensions firm for the Fiscal Year June 30, 2017 were $40,000.

The audit fees billed to us by D'Arelli Pruzansky, PA and Assurance Dimensions firm for the Fiscal Year June 30, 2016 were $30,000.

The audit fees billed to us by Demetrius Berkower LLC. firm for the Fiscal Year June 30, 2016 were $9,000.

Audit Related Services

There were no fees for audit related services billed for the fiscal year ended June 30, 2017 and 2016.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

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

(2) Financial Statement Schedules None.

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

2.1*	Exchange of Stock Agreement and Plan of Reorganization (incorporated by reference to Exhibit 2(a) to our registration statement on Form 10SB-12G filed on October 16, 1998 (file no. 000-24969)).
2.2*	Exchange of Stock Agreement and Plan of Reorganization dated June 25, 1998 (incorporated by reference to Exhibit 2(b) to our registration statement on Form 10SB-12G filed on May 6, 1999 (file no. 000-24969)).
3.1***	Certificate of Incorporation of the Company.
3.2***	Bylaws of the Company
4.1*	Minutes of Special Meeting of the Board of Directors held on April 27, 2009, authorizing convertibility of officers' promissory notes. (Amendment No. 4 to Form 10-K for the period ended June 30, 2010, filed January 11, 2011 (file no. 000-30202))
10.1*	License Agreement, dated March 26, 1998, between the Company and Georgia Tech Research Corporation (incorporated by reference to Exhibit 10(e) to our registration statement on Form 10SB-12G filed on October

	16, 1998 (file no. 000- 24969)).
10.2*	First Amendment to the License Agreement dated January 8, 2001, between the Company and Georgia Tech Research Corporation (incorporated by reference to Exhibit 10.2 to our registration statement on Form S-1 filed on June 18, 2001 (file no. 33-63262)).
10.9*	Facilities/Services Agreement between the Company and Microphase Corporation, dated as of July 1, 1998 (incorporated by reference to Exhibit 10.9 to our registration statement on Form S- 1 filed on June 18, 2001 (file no. 33- 63262).
10.10*	Company's 2001 Stock Incentive incorporated by reference to Exhibit C to Preliminary Proxy on Schedule 14A filed on March 21, 2001 (file no. 000- 30202).
10.18***	Development Agreement effective February 3, 2004 between Lucent Technologies, Inc. and mPhase Technologies, Inc. for development of micro fuel cell Nano Technology.
10.21***	Development Agreement effective March 1, 2005 between Lucent Technologies Inc and mPhase Technologies relating to development of Magnetometers.
10.22***	Amendment No. 2 to Development Agreement executed as of March 9, 2005 amending Development Agreement effective as of February 5, 2004, as amended relating to Micro Power Source Cells between mPhase Technologies, Inc. and Lucent Technologies, Inc.
10.33***	Amendment No. 3 dated May 19, 2006 to Development Agreement between Lucent Technologies, Inc. and mPhase Technologies, Inc. effective February 3, 2004 for Development of micro fuel cell Nanotechnology.

10.34***	Amendment No. 4 dated February 3, 2007 to Development Agreement between Lucent Technologies, Inc. and mPhase Technologies, Inc. effective February 3, 2004 for Development of micro fuel cell Nanotechnology.
10.35***	Cooperative Research Agreement Rutgers University and mPhase Technologies, Inc. executed October 18, 2005.
10.36***	Modification No. 1 to Cooperative Research Agreement with Rutgers University dated February 22, 2006.
10.37***	Modification No. 2 to Cooperative Research Agreement with Rutgers University dated September 22, 2006.
10.38***	Modification No. 3 to Cooperative Research Agreement with Rutgers University dated February 7, 2007.
10.40***	CT NanoBusiness Alliance Consulting Agreement dated May 10, 2007.
10.41***	Amendment No.5 dated April 28, 2007 to Development Agreement between Lucent Technologies, Inc. and mPhase Technologies, Inc. effective February 3, 2004 for Development of micro fuel cell Nanotechnology.
10.43*	Cooperative Research and Development Agreement between US Army Picatinny Arsenel and mPhase Technologies, Inc. dated December 20, 2006. (Exhibit 43 to Form S-1 filed July 12, 2007, File No. 333-144527).
10.44***	Small Business Technology Transfer Collaboration Agreement between Rutgers University and mPhase Technologies, Inc. dated June 25, 2007.
10.46*	Phase I Army Grant dated July 7, 2007 (Form 10-K filed October 7, 2009, Commission File No. 000-24969)
10.47*	Securities Purchase Agreement dated December 11, 1007 between mPhase Technologies, Inc. and Golden Gate Investors and Related Documents in connection with $1,500,000 Convertible Debenture Financing (Form 10-K filed October 7, 2009, Commission File No. 000-24969)
10.48*	Securities Purchase Agreement dated February 29, 2008 between St. George Investments and mPhase Technologies, Inc and Related Documents in connection with $550,000 Convertible Debenture Financing. (Form 10-K filed October 7, 2009, Commission File No. 000-24969)
10.49*	Documentation including $350,000 Convertible Note and $1,000,000 Convertible Note and Secured Note for $1,000,000 Financing between mPhase Technologies, Inc. and JMJ Financial dated March 25, 2008 (Form 10-K filed October 7, 2009, Commission File No. 000-24969)
10.52*	Phase II Army Grant dated August 29, 2008 (Form 10-K filed October 7, 2009, Commission File No. 000-24969)
10.53*	Securities Purchase Agreement dated September 12, 2008 between mPhase Technologies, Inc. and La Jolla Cove Investors and Related Documents in connection with $2,000,000 Convertible Debenture Financing (Form 8K filing dated September 18, 2008)
10.54*	

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

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

	Securities Purchase Agreement dated as of November 17, 2011 between Asher Enterprises, Inc. and mPhase Technologies, Inc.(Exhibit 99.1 to Form 8K filed November 30, 2011 (Commission file No. 000-24969))
10.76*	8%Convertible Note issued to Asher Enterprises, Inc. dated November 17, 2011 by mPhase Technologies, Inc.(Exhibit 99.2 to Form 8K filed November 30, 2011 (Commission file No. 000-24969))
10.77*	Securities Purchase Agreement dated as of January 5, 2012 between Asher Enterprises, Inc. and mPhase Technologies, Inc.(Exhibit 99.1 to Form 8K filed January 17, 2012 (Commission file No. 000-24969))
10.78*	8% Convertible Note issued to Asher Enterprises, Inc. dated January 5, 2012 by mPhase Technologies, Inc.(Exhibit 99.2 to Form 8K filed January 17, 2012 (Commission file No. 000-24969))
10.79*	Securities Purchase Agreement dated as of May 4, 2012 between Asher Enterprises, Inc. and mPhase Technologies, Inc.(Exhibit 10.79 to Form 10K for the fiscal year ended June 30, 2012 filed September 24, 2012 (Commission file No. 000-24969))

10.80*	8% Convertible Note issued to Asher Enterprises, Inc. dated May 4, 2012 by mPhase Technologies, Inc. (Exhibit 10.80 to Form 10K for the fiscal year ended June 30, 2012 filed September 24, 2012 (Commission file No. 000-30202))
10.81*	Stand Still and Restructuring Agreement entered into as of May 31,2012 with John Fife (Exhibit 99.1 to Form 8K filed June 5, 2012 (Commission file No. 000-24969))
10.82*	Stand Still and Restructuring Agreement entered into as of June 1,2012 with JMJ Fiancial (Exhibit 99.2 to Form 8K filed June 5, 2012 (Commission file No. 000-24969))
10.83*	Securities Purchase Agreement, dated as of December 4, 2012 between mPhase Technologies, Inc and Asher Enterprises, Inc. (Exhibit 99.1 to Form 8K dated December 13, 2012(Commission File No. 000-24969))
10.85*	Securities Purchase Agreement dated as of January 18, 2003 between mPhase Technologies, Inc. and Black Arch Opportunity Fund L.P. (Exhibit 99.1 to Form 8K dated January 22, 2013 (Commission File No. 000-24969))
10.86*	12% Convertible Promissory Note with an issue date of January 14, 2013 issued by mPhase Technologies, Inc. to Black Arch Opportunity Fund L.P. (Exhbit 99.2 to Form 8K dated January 22, 2013 (Commission File No. 000-24969))
10.87*	Securities Purchase Agreement dated as of January 31, 2013 between mPhase Technologies, Inc. and Asher Enterprises, Inc. (Exhibit 99.1 to Form 8K dated February 15, 2013 (Commission File No. 000-24969))
10.88*	8% Convertible Promissory Note dated as of January 31, 2013 issued by mPhase Technologies, Inc. to Asher Enterprises, Inc. (Exhibit 99.2 to Form 8k dated February 15, 2013 (Commission File No. 000-24969))
10.89*	Securities Purchase Agreement dated as of June 26, 2013 between mPhase Technologies, Inc. and Asher Enterprises, Inc. (Exhibit 99.1 to Form 8k dated July 18, 2013 (Commission File No. 000-24969))
10.90*	8% Convertible Promissory Note dated as of June 26, 2013 (Exhibit 99.2 to Form 8K dated July 18, 2013 (Commission File No. 000-24969))
10.91*	Securities Purchase Agreement dated as of January 10, 2014 between mPhase Technologies, Inc. and M H Investment Trust (Exhibit 99.1 to Form 8K dated January 10, 2014 (Commission File No 000-24969))
10.92*	12% Convertible Promissory Note dated as of January 10, 2014 between mPhase Technologies, Inc. and M H Investment Trust (Exhibit 99.2 to Form 8K dated January 10, 2014 (Commission File No 000-24969))
	12% Convertible Promissory Note dated as of August 26, 2014 between mPhase Technologies, Inc. and M H Investment Trust (Exhibit 99.1 to Form 8K dated September 5, 2014 (Commission File No. 000-24969))
10.93*	Forbearance Agreement and Amendment thereto dated February 15, 2015 as amended on August 11, 2015 with John Fife (Exhibits 99.1 and 99.2 to form 8K filed August 12, 2015)
10.94*	Second Modification to Forbearance Agreement with John Fife (Exhibit 99.1 to Form 8k filed January 22, 2016)

10.95* Third Modification to Forbearance Agreement with John Fife (Exhibit 99.1 to Form 8k filed May 23rd, 2016)

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.

* Incorporated by reference.

** All or portions of such Agreements have been omitted and the Company has requested that the omitted sections be treated as "Confidential Information" pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended and has been filed with the Securities and Exchange Commission separately.

*** Incorporated by reference from Amendment No. 6 to Form 10K for the period ended June 30, 2009 file on August 13, 2009.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and

Stockholders of mPhase Technologies, Inc.

We have audited the accompanying consolidated balance sheet of mPhase Technologies, Inc. (the "Company") as of June 30, 2017 and 2016 and the related consolidated statement of operations, changes in stockholders' deficit and cash flows for each of the two years in the period ended June 30, 2017. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

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

In our opinion, such consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company at June 30, 2017 and 2016 and the results of its operations and its cash flows for each of the two years in the period ended June 30, 2017, in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the consolidated financial statements, the Company had an accumulated deficit of $211,992,596 and $211,681,831 and a working capital deficit of $4,510,426 and $4,368,879, for the years ended June 30, 2017 and 2016, respectively. The Company also incurred net losses of $310,765 and $947,060 and used net cash in operating activities of $55,831 and $210,946 during the years ended June 30, 2017 and 2016, respectively. These conditions raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in

regard to these matters are also described in Note 2. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to that matter.

ASSURANCE DIMENSIONS

Certified Public Accountants

Coconut Creek,

June 18, 2018

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mPHASE TECHNOLOGIES, INC.

Consolidated Balance Sheets

	June 30, 2017	June 30, 2016
ASSETS		
CURRENT ASSETS		
Cash	$4,163	$4,717
Assets of discontinued operations	4,527	25,171
TOTAL CURRENT ASSETS	8,690	29,888
Property and equipment, net	683	3,631
Other assets	800	-
TOTAL ASSETS	$10,173	$33,519
LIABILITIES AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES		
Accounts payable	$442,746	$565,713
Accrued expenses	894,930	658,434
Due to related parties	217,045	212,545
Notes payable, Officers'	658,311	597,331
Notes payable, Director & Investor	123,609	115,486
Current Portion, long term convertible debentures	1,615,266	1,561,611
Liabilities of discontinued operations	567,209	697,647
TOTAL CURRENT LIABILITIES	4,519,116	4,408,767
STOCKHOLDERS' DEFICIT		
Common stock, par value $.001, 18,000,000,000 shares authorized, 17,764,713,048 and 17,772,643,845 shares issued and outstanding at June 30, 2017 & 2016, respectively	17,764,712	17,772,643
Additional paid in capital	189,718,941	189,533,940
Accumulated deficit	(211,992,596)	(211,681,831)
TOTAL STOCKHOLDERS' DEFICIT	(4,508,943)	(4,375,248)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	$10,173	$33,519

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

mPHASE TECHNOLOGIES, INC.

Consolidated Statements of Operations

	For the Years Ended June 30, 2017	June 30, 2016
REVENUES	$-	$-
COSTS AND EXPENSES		
General and administrative	228,386	677,218
Depreciation and amortization	2,948	3,083
TOTAL COSTS AND EXPENSES	231,334	680,301
OPERATING LOSS	(231,334)	(680,301)
OTHER INCOME (EXPENSE)		
Interest (Expense)	(302,906)	(302,386)
Gain on debt extinguishments	152,320	17,350
Other income	-	18,000
Change in fair value of derivative liability	-	31,726
TOTAL OTHER INCOME (EXPENSE)	(150,586)	(235,310)
Loss From Continuing Operations, before Income Taxes	(381,920)	(915,611)
Income (Loss) From Discontinued Operations	71,155	(231,227)
Income Taxes	-	-
Net Loss before cumulative change in accounting estimate	(310,765)	(1,146,838)
Cumulative change in accounting estimate	-	199,778
Net Loss	$(310,765)	$(947,060)
Basic & Diluted Net loss per share:		
Loss per share From Continuing Operations	$(0.00)	$(0.00)
Loss per share From Discontinued Operations	$(0.00)	$(0.00)
Net Loss per share	$(0.00)	$(0.00)
Weighted Average Number of Shares Outstanding;		

Basic	17,904,555,752	16,541,510,237
Weighted Average Number of Shares Outstanding; Diluted	18,000,000,000	16,541,510,237

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

mPHASE TECHNOLOGIES, INC.

Consolidated Statement of Changes in Stockholders' Deficit

For the Two Years Ended June 30, 2017

	Common Stock Shares	$.001 Par Value	Additional Paid in Capital	Accumulated Deficit	Stockholders' Deficit
Balance June 30, 2015	15,941,988,381	$15,941,987	$190,949,919	$(210,734,771)	$(3,842,865)
Issuance of Common Stock to accredited investors in private placements, net of $20,000 fees	1,116,666,667	1,116,667	(936,667)	-	180,000
Issuance of Common Stock for services	26,058,000	26,058	(17,951)	-	8,107
Issuance of Common Stock for the Conversions of both a demand note and Convertible Debenture & accrued interest thereon	987,500,000	987,500	(882,500)	-	105,000
Beneficial Conversion Feature Interest Expense Charged to Additional Paid in Capital	-	-	121,570	-	121,570
Return to treasury of shares cancelled by significant shareholders	(299,569,203)	(299,569)	299,569	-	-
Net Loss for the Year Ended June 30, 2016	-	-	-	(947,060)	(947,060)
Balance June 30, 2016	17,772,643,845	$17,772,643	$189,533,940	$(211,681,831)	$(4,375,248)
Issuance of Common Stock to accredited investors in private placements, net of $4,500 fees	900,000,000	900,000	(859,500)	-	40,500
Issuance of Common Stock for the Conversion on a Convertible Debenture & accrued interest thereon	187,500,000	187,500	(172,500)	-	15,000
	-	-	121,570	-	121,570

Beneficial Conversion Feature Interest Expense Charged to Additional Paid in Capital					
Return to treasury of shares cancelled by significant shareholders	(1,095,430,797)	(1,095,431)	1,095,431	-	-
Net Loss for the Year Ended June 30, 2017	-	-	-	(310,765)	(310,765)
Balance June 30, 2017	17,764,713,048	$17,764,712	$189,718,941	$(211,979,596)	$(4,508,943)

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

mPHASE TECHNOLOGIES, INC.

Condensed Consolidated Statements of Cash Flows

	For the Years Ended June 30, 2017	June 30, 2016
Cash Flow From Operating Activities:		
Net Loss from continuing operations	$(381,920)	$(715,833)
Net Loss from discontinued operations	71,155	(231,227)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	2,948	3,083
(Gain) loss on debt extinguishments	(347,984)	(19,650)
Non-cash charges relating to issuance of common stock, common stock options and warrants	-	8,107
Gain on sale of patent & vehicle	(12,500)	(30,500)
Change in fair value of derivative liability and debt discount charges (credits)	-	(235,425)
Other non-cash charges for beneficial conversion interest expense	121,570	121,570
Amortization of loan discount, finance company	10,197	15,356
Changes in assets and liabilities:		
Accounts receivable	440	8,062
Inventories	20,074	195,102
Prepaid expenses and other current assets	130	35,688
Other assets	(800)	17,109
Accounts payable & accrued expenses	276,359	319,359
Customer deposits	-	(26,691)
Due to/from related parties		
Microphase & Eagle	4,500	24,500
Officers	180,000	300,444
Net cash used in operating activities	(55,831)	(210,946)
Cash Flow Used in Investing Activities:		
Purchase of fixed assets	-	-
Net Cash used in investing activities	-	-
Cash Flow from Financing Activities:		
Proceeds from issuance of common stock, net of finder’s fees	40,500	180,000
Proceeds of demand note	-	35,000
Proceeds from Finance Company	-	66,029
Repayment to Finance Company	(2,103)	(38,819)
Repayment of convertible debentures	-	(93,847)
Proceeds from notes payable related parties	33,784	125,778
Repayment of notes payable related parties	(16,904)	(61,346)
Net cash provided by financing activities	$55,277	$212,795
Net increase in cash	(554)	1,849

CASH AND CASH EQUIVALENTS, beginning of period	4,717	2,868
CASH AND CASH EQUIVALENTS, end of period	$4,163	$4,717

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

mPHASE TECHNOLOGIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2017

1. ORGANIZATION AND NATURE OF BUSINESS

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

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

mPhase, a New Jersey corporation is a publicly-held company with approximately 17.77 billion shares of common stock outstanding as of June 30, 2016. The Company’s common stock is traded on the Over the Counter Bulletin Board under the ticker symbol XDSL.

The Company historically has focused much of its efforts in the commercial deployment of its TV+ products for delivery of broadcast IPTV, and DSL component products which include POTS splitters. Beginning in 2004, the Company added a new line of power cell batteries and electronic sensors (magnetometers) being developed through the use of nano-technology.

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

mPower Technologies, Inc. is a New Jersey corporation is a wholly-owned consumer products subsidiary of mPhase Technologies, Inc. mPower has consumer products including the mPower Jump, the mPower Mini-Jump, the mPower Jump Plus and the mPower Jump Truck designed for various types of dead batteries that need jumping. Each product has a very small footprint and can fit in the glove compartment of most vehicles. mPower is also developing a reserve battery for homes to serve as a backup to a home's primary electric provider. The Company had its last significant sale of Jump products during the first Quarter of Fiscal 2017 and this product line is treated as Discontinued Operations in these financial statements.

We are presently headquartered in New Dorp Beach, Staten Island, New York.

mPHASE TECHNOLOGIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2017

2. GOING CONCERN AND MANAGEMENT'S PLANS

Through June 30, 2017, the Company incurred cumulative losses reflected in its accumulated deficit of $211,979,596 and at June 30, 2017 had a working capital deficit of $4,510,426. Funding in our traditional capital markets was difficult during FYE 2015, 2016 and 2017. These matters raise substantial doubt about the Company's ability to continue as a going concern for the twelve months from the issue date of this report.

The Company was able to enter into convertible debt arrangements and private placements of equity with independent investors to provide liquidity and capital resources during the preceding two fiscal years. In addition, and from time to time during FYE 2017 and 2016, the Company raised necessary working capital via bridge loans from officers. During FYE June 30, 2017 and 2016, the Company received net proceeds from private placements with accredited investors of approximately$40,500 and $180,000 respectively.

The Company is currently focused on preserving the ability to continue the development and commercialization of its battery product using the science of nanotechnology. In April of 2016, the Company began the wind-down of its entire line of mPower Jump products owing to increased competition and erosion of pricing in the market. The Company had its last significant sale of Jump products during the first Quarter of Fiscal 2017 and this product line is treated as Discontinued Operations in these financial statements.

The Company's ability to continue as a going concern and its future success is dependent upon its ability to raise capital in the near term to: (1) satisfy its current obligations, (2) continue its research and development efforts, and (3) successfully develop, market and sell its products. The Company believes that it will be able to complete the necessary steps in order to meet its cash flow requirements throughout fiscal 2017 and continue its development and commercialization efforts.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of mPhase and its wholly-owned owned subsidiaries, mPower Technologies, Inc. & Medds, Inc. Significant inter-company accounts and transactions have been eliminated in consolidation.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These include net realizable inventories, prepaid expenses, accrued expenses and stock based compensation expense. Actual results could differ from those estimates.

ESTIMATED FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company’s financial instruments include cash, accounts payable, current and long-term debt, line of credit, convertible debt and due to related parties. Management believes the estimated fair value of cash, accounts payable and debt instruments at June 30, 2017 and 2016 approximate their carrying value as reflected in the balance sheets due to the short-term nature of these instruments or the use of market interest rates for debt instruments. Fair value of due to related parties cannot be determined due to lack of similar instruments available to the Company.

mPHASE TECHNOLOGIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2017

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

DEBT DISCOUNTS

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

DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives are recorded on the balance sheet at fair value. The conversion features of the convertible debentures may be embedded derivatives and would be separately valued and accounted for on our balance sheet with changes in fair value recognized during the period of change as a separate component of other income/expense. Fair values for exchange-traded securities and derivatives are based on quoted market prices. The pricing model we use for determining fair value of our derivatives is the Black-Scholes Pricing Model. Valuations derived from this model are subject to ongoing internal and external verification and review. The model uses market-sourced inputs such as interest rates and stock price volatilities. Selection of these inputs involves management’s judgment and may impact net income. During the fiscal year ended June 30, 2016 the Company utilized an expected life of 20 and 10 days based upon the look-back period of its convertible debentures and notes and a volatility of 100%, up and until the Change In Accounting Estimate effective June 30, 2016.

CHANGE IN ACCOUNTING ESTIMATE FOR THE VALUE OF DERIVATIVE FINANCIAL INSTRUMENTS

Changes in fair value of derivative liabilities results from the changes in the fair value of the derivative liability due to the application of ASC 815, resulting in either income or expense, depending on the difference in fair value of the derivative liabilities between their measurement dates. The increase in fair value of derivative liabilities recognized

effective June 30, 2016 is due to a change in accounting estimate related to the accounting for derivative liabilities. Due to the Company's the then current share price and lack of trading liquidity in the Company's common stock, in addition to limited shares available for conversions for such instruments as amended, the convertible notes were determined to have no basis for applying a derivative liability to the conversion of these notes. As a result, the Company recorded a change in accounting estimate which resulted in a gain on change in derivative liability of approximately $199,778 effective June 30, 2016.

LONG-LIVED ASSETS

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

PROPERTY AND EQUIPMENT

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

RESEARCH AND DEVELOPMENT -Discontinued Operations

Research and Development cost are charged to operations when incurred. The amounts charged to expense for the years ended June 30, 2017 and 2016 were $38 and $802, respectively.

PATENTS AND LICENSES

Patents and licenses are capitalized when mPhase determines there will be a future benefit derived from such assets and are stated at cost. Amortization is computed using the straight-line method over the estimated useful life of the asset, generally five years. As of June 30, 2017 and 2016, the book value of such assets, or $214,383, has been fully amortized and no amortization expense was recorded for the years ended June 30, 2017and 2016, respectively. During the years ended June 30, 2017 and 2016 the Company included in other income $12,500 each year for the conditional sale of a patent which had no capitalized costs associated with the patent.

INVENTORIES -Discontinued Operations

The Company uses the First-In First Out method (FIFO) to account for inventory which is carried at the lower of cost and net realizable value. As of June 30, 2017, and 2016, inventory was valued at $3,477 and $23,551, net of a $69,106 and $69,106 reserve, respectively. The amounts of inventory write downs charged to the reserve for the year ended June 30, 2016 was $1,486.

mPHASE TECHNOLOGIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2017

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

LOSS PER COMMON SHARE, BASIC AND DILUTED

mPhase accounts for net loss per common share in accordance with the requirements FASB ASC 260 Earnings Per Share. Basic loss per share is computed by dividing net loss by the weighted average number of shares of common stock outstanding during the period. Diluted earnings per share is computed by dividing net loss adjusted for income or loss that would result from the assumed conversion of potential common shares from contracts that may be settled in stock or cash by the weighted average number of shares of common stock, common stock equivalents and potentially dilutive securities outstanding during each period. The Company has convertible securities held by third parties and convertible notes plus accrued interest thereon held by officers of the Company, subject to availability, convertible into approximately 1,023,646,977 shares immediately, and up to 10,522,046,727shares if the forbearance agreement discussed in Note 8 is settled entirely in stock, for convertible notes held by third parties; and 1,645,777500 shares, if available, for officer notes of the Company's common stock based upon the conversion terms at June 30, 2017. If all were fully converted at June 30, 2017 based upon the terms at that date it would total 12,167,824,227 shares of the Company's Common Stock.

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.

The following Table Illustrates shares of the Company's Common Stock subject to Convertible Obligations as of June 30, 2017

	June 30, 2017				
	Note Principle	**Accrued Interest**	**Total**	**Shares Convertible**	
				immediately	**over full term, if available***
Arrangement #1 - JMJ Financial, Inc	$802,060	$410,879	$1,212,939	303,234,810	303,234,810

Arrangement #2 - St. George Investments/Fife Forbearance Obligation	809,873	-	809,873	625,000,000	10,123,399,750
Arrangement #3 - MH Investment trust II	3,333	2,392	5,725	95,412,167	95,412,167
Total Convertible Notes payable	1,615,266	413,271	2,028,537	1,023,646,977	10,522,046,727
Notes Payable- Officers*	658,311	-	658,311	-	1,645,777,500
Total	$2,273,577	$413,271	$2,686,848	1,023,646,977	12,167,824,227

* convertible if shares available

REVENUE RECOGNITION

As required, mPhase has adopted the Securities and Exchange Commission (“SEC”) Staff Accounting Bulletin (“SAB”) No. 104, “Revenue Recognition in Financial Statements,” which provides guidelines on applying generally accepted accounting principles to revenue recognition based on the interpretations and practices of the SEC. The Company has recognized revenue on it JUMP products (SEE Discontinued Operation caption herein) when the products were shipped, and title passed to the customer.

mPHASE TECHNOLOGIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2017

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

DISCONTINUED OPERATIONS

The Company has classified the operating results and associated assets and liabilities from its Jump line of products, which ceased having material sales in the first quarter of Fiscal 2017, as Discontinued Operations in the Consolidated Financial Statements for the Fiscal Years ended June 30, 2017 and 2016.

The Assets and Liabilities associated with discontinued operations included in our Consolidated Balance Sheet were as follows:

	June 30, 2017			June 30, 2016		
	Total	Discontinued	Continuing	Total	Discontinued	Continuing
ASSETS						
CURRENT ASSETS						
Cash	$4,163	$ -	$4,163	$4,717	$ -	$4,717
Accounts receivable, net	-	-	-	440	440	-
Inventory, net	3,477	3,477	-	23,551	23,551	-
Prepaid and other current assets	1,050	1,050	-	1,180	1,180	-
TOTAL CURRENT ASSETS	8,690	4,527	4,163	29,888	25,171	4,717
Property and equipment, net	683	-	683	3,631	-	3,631
Other Assets	800	-	800	-	-	-
TOTAL ASSETS	$10,173	$ 4,527	$4,846	$33,519	$ 25,171	$8,348
LIABILITIES						
CURRENT LIABILITIES						
Accounts payable	$839,824	$ 397,078	$442,746	$1,143,956	$ 578,242	$565,714
Accrued expenses	1,037,125	142,195	894,930	750,628	92,195	658,434
Due to related parties	217,045	-	217,045	212,545	-	212,545

Notes payable, Officers'	658,311	-	658,311	597,331	-	597,331
Notes payable, Director & Investor	123,609	-	123,609	115,486	-	115,486
Note Payable, Finance Company	27,936	27,936	-	27,210	27,210	-
Current Portion, Long term convertible debentures	1,615,266	-	1,615,266	1,561,611	-	1,561,611
TOTAL LIABILITIES	$4,519,116	$ 567,209	$3,951,907	$4,408,767	$ 697,647	$3,711,121

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mPHASE TECHNOLOGIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2017

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

DISCONTINUED OPERATIONS - (Continued)

Revenue and Expense Recognition for Discontinued Operations

The Company has recognized revenue on it JUMP products when the products were shipped, and title passed to the customer.

The results of discontinued operations include specifically identified and allocated common overhead expenses.

The Revenues and expenses associated with discontinued operations included in our Consolidated Statements of operations were as follows:

	For the Years Ended	
	June 30, 2017	June 30, 2016
	Discontinued	Discontinued
REVENUES	$20,516	$ 523,116
COSTS AND EXPENSES		
Cost of sales	20,471	389,241
Research and development	38	802
	11,154	139,672

Selling and marketing (including non-cash stock related charges of $0 and $8,107 for the years ended June 30, 2017 & 2016).		
General and administrative	78,228	179,101
Depreciation and amortization	-	-
TOTAL COSTS AND EXPENSES	109,891	708,816
OPERATING LOSS	(89,375)	(185,700)
OTHER INCOME (EXPENSE)		
Interest (Expense)	(47,635)	(64,248)
Gain on debt extinguishments	195,664	2,300
Other income	12,500	12,500
Change in fair value of derivative liability	-	3,921
TOTAL OTHER INCOME (EXPENSE)	160,529	(45,526)
Income (Loss) from Discontinued Operations	$71,155	$ (231,227)

mPHASE TECHNOLOGIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2017

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

INCOME TAXES

The Company accounts for income taxes in accordance with accounting guidance now codified as Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 740, “Income Taxes.” Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. At June 30, 2017 and 2016, the Company had a full valuation allowance against its deferred tax assets.

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

The Company files U.S. and state income tax returns with various statutes of limitations. The 2014 through 2017 tax years generally remain subject to examination by federal and most state tax authorities.

The Company recognizes interest accrued and penalties related to unrecognized tax benefits, if any, in interest and operating expenses. No interest or penalties were recorded for the years ended June 30, 2017 and 2016.

BUSINESS CONCENTRATIONS AND CREDIT RISK

To date, the Company's products have been sold to a limited number of wholesale customers, earlier primarily in the primarily in the automotive consumer products industry. During the fiscal year ended 2017 and 2016 sales consisted primarily of the Company's new Jump products. Sales of individual Jump products are prepaid in advance and sales to distributors have terms of net 15 days or less while sales to retail chains have terms of 60 days. Sales through corporate office headquarters of major distributors can have payment terms of up to net 360 days to which the Company has not yet experienced. Throughout the year, cash balances that the Company maintains at financial institutions may exceed the Federal Deposit Insurance Corporation insurance limitation of up to $250,000. Cash balances exceeded FDIC did not exceed such amount during fiscal year ended June 30, 2017 and 2016.

NEW ACCOUNTING PRONOUNCEMENTS

The Company is evaluating several pronouncements issued by the FASB which have recently or may result in the adoption by the Company of these standards in upcoming accounting periods as follows:

ASU 2015-11 - Inventory (Topic 330): Simplifying the Measurement of Inventory. For public business entities, the pending content that links to this paragraph shall be effective for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years, which for us is our fiscal 2018. We are currently evaluating the impact this standard will have on our financial position, results of operations and cash flows.

ASU 2016-02 — In February 2016, the FASB issued a new lease standard that supersedes existing lease guidance under GAAP. This standard requires lessees to record most leases on their balance sheets but recognize expenses on their income statements in a manner similar to existing lease guidance under GAAP. Entities are required to use a modified retrospective approach for leases that exist or are entered into after the beginning of the earliest comparative period in the financial statements, with the option to use certain relief. Full retrospective application is prohibited. This standard is effective for fiscal years, and interim reporting periods within those years, beginning after December 15, 2018, which for us is our fiscal 2020. We are currently evaluating the impact this standard will have on our financial position, results of operations and cash flows.

ASU 2014-15 — Presentation of Financial Statements Going Concern (Subtopic 20540): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern to be effective for Annual periods ending after December 15, 2016, and interim periods within annual periods beginning after December 15, 2016; which for us would be the third and fourth quarters of our fiscal 2018 and although early adoption is permitted for this standard, the Company has yet to adopt this standard.

mPHASE TECHNOLOGIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2017

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

NEW ACCOUNTING PRONOUNCEMENTS - (Continued)

ASU 2016-09 — In March 2016, the FASB issued an accounting standards update making final targeted amendments to the accounting for employee share-based payments. These amendments will require entities to recognize the income tax effects of awards when the awards vest or are settled, will change an employer's accounting for an employee's use of shares to satisfy the employer's statutory income tax withholding obligation and will require entities to elect whether to account for forfeitures of share-based payments by either recognizing forfeitures of awards as they occur or estimating the number of awards expected to be forfeited as is currently required. The required method of adoption varies by amendment. This accounting standards update is effective for fiscal years, and interim reporting periods within those years, beginning after December 15, 2017, which for us is our first quarter of fiscal 2019. Early adoption is permitted in any annual or interim period, but all of the guidance is required to be adopted in the same period and any adjustments must be reflected as of the beginning of the fiscal year. We are currently evaluating the impact this accounting standards update will have on our financial position, results of operations and cash flows.

ASU 2015-17 — Deferred Taxes (topic 740): For a particular tax-paying component of an entity and within a particular tax jurisdiction, all current deferred tax liabilities and assets shall be offset and presented as a single amount and all noncurrent deferred tax liabilities and assets, as well as any related valuation allowance, shall be offset and presented as a single noncurrent amount. However, an entity shall not offset deferred tax liabilities and assets attributable to different tax-paying components of the entity or to different tax jurisdictions. For public business entities, the amendments in this Update are effective for financial statements issued for annual periods beginning after December 15, 2016, and interim periods within those annual periods, which for us is our first quarter of fiscal 2018. Early adoption is permitted in any annual or interim period, but all of the guidance is required to be adopted in the same period and any adjustments must be reflected as of the beginning of the fiscal year. We are currently evaluating the impact this accounting standards update will have on our financial position, results of operations and cash flows.

ASU 2016-15 The FASB recently issued ASU 2016-15 to clarify whether the certain items should be categorized as operating, investing or financing in the statement of cash flows. For public business entities, the amendments in this Update are effective for financial statements issued for annual periods beginning after December 15, 2017, and interim periods within those fiscal years, which for us is our fiscal 2019. Early adoption is permitted in any annual or interim

period, but all of the guidance is required to be adopted in the same period and any adjustments must be reflected as of the beginning of the fiscal year. We are currently evaluating the impact this accounting standards update will have on our financial position, results of operations and cash flows.

ASU 2016-18 Statement of Cash Flows (Topic 230) : Restricted Cash (A Consensus of the FASB Emerging Issues Task Force) : The new standard requires the statement of cash flows explain the change during the period in the total cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Entities will also be required to reconcile such total to amounts on the balance sheet and disclose the nature of the restrictions. The Company has a restricted cash balance of $100,000 on the Condensed Consolidated Balance Sheet. The nature of the restriction is that the $100,000 is pledged and held by our financing company, Gerber Finance, as collateral in the Borrowing Base Collateral (BBC) calculations which determine what amounts we are allowed to borrow from time to time.

4. SUPPLEMENTAL CASH FLOW INFORMATION

	For the Years Ended	
	June 30, 2017	June 30, 2016
Statement of Operation Information:		
Amortization of loan discount, finance company	$ 10,197	15,356
Interest Paid (net interest income)	$ 98,078	$ 81,937
Non-Cash Investing and Financing Activities:		
Conversion of $9,460 convertible debt and $5,540 accrued interest to common stock in 2017. Conversion of $62,188 convertible debt and $17,812 accrued interest to common stock in 2016.	$ 15,000	$ 80,000
Conversion of other notes to common stock	$ -	$ 35,000

mPHASE TECHNOLOGIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2017

5. PROPERTY AND EQUIPMENT

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

	June 30, 2017	2016
Research Equipment	$48,383	48,383
Office and Marketing	151,118	151,118
Gross Cost	199,501	199,501
Less Accumulated Depreciation	(198,818)	(195,870)
Net Property and Equipment	$683	3,631

Depreciation expense for the years ended June 30, 2017 and 2016 was $2,948 and $3,083, respectively, of which $0 and $0, respectively, relates to research laboratory and testing equipment included in research and development expense.

6. ACCRUED EXPENSES

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

	June 30, 2017	2016
Accrued Interest - Convertible Debentures	$413,271	$319,669
Accrued Wages - Officers'- continuing operations	396,582	266,582
Other Expenses	85,077	72,182
Total - continuing operations	894,930	658,433
Accrued Wages - Officers'- discontinued operations	$142,195	$92,195

7. SHORT TERM NOTES PAYABLE

Short term notes payable is comprised of the following:

Other Short-Term Notes

Note Payable, Director (Eagle)

A Director of the Company loaned the Company $90,000 in the fourth quarter of fiscal year ended June 30, 2015.

Additionally, the Director advanced the Company $60,000 and received $40,000 in repayments during the fiscal year ended June 30, 2016, which together with $5,486 of accrued interest during FYE 2016 and $7,123 of accrued interest during FYE 2017 resulted in $122,609 and $115,486 outstanding at June 30, 2017 and 2016, respectively.

Other Note payable (Investor)

During the fiscal year ended June 30, 2016, an unaffiliated shareholder advanced the Company $10,000 in September 2015 and $25,000 in December of 2015, totaling $35,000, which was converted into 175,000,000 shares of the Company’s common stock effective March 31, 2016. During the fourth quarter fiscal 2017 this shareholder advanced the Company $1,000. At June 30, 2017 $1,000 remains outstanding under this note.

Note Payable Finance Company (Power Up)- Discontinued Liability

The Company borrowed approximately $66,000 under two advances commencing January 2016, with scheduled repayments of approximately $87,500 originally due through July 2016. During fiscal year ended June 30, 2016 we made $75,012 of payments, which included $38,819 of principal and $36,193 of finance charges which are included in interest expense for the period. At June 30, 2016, $27,210 remained outstanding under this note. During the FYE June 30, 2017 we made $12,300 of repayments which included $2,103 of principal and $10,197 of finance charges which are included in interest expense for the period. At June 30, 2017, $27,936 remained outstanding under this note.

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mPHASE TECHNOLOGIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2017

8. STOCKHOLDERS' EQUITY

Long Term Convertible Debentures / Debt Discount

The Company had three separate convertible debt arrangements with independent investors that were in effect at various times during the two fiscal years ended June 30, 2017 and 2016.

During the fiscal year ended June 30, 2017 a lender converted $15,000 of Convertible Debt which included $9,460 principal and $5,540 accrued interest thereon relating to the forbearance agreement into 187,500,000 shares of the Company's Common stock.

During the fiscal year ended June 30, 2016 a lender converted $70,000 of Convertible Debt which included $52,188 principal and $17,812 accrued interest thereon relating to the forbearance agreement into 812,500,000 shares of the Company's Common stock.

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

Arrangement #1

The Company entered into a convertible note 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, of which the Company received a total of $150,000 of proceeds in connection with the second promissory note

under this agreement. At June 30, 2012 this convertible note had $372,060 outstanding which was combined with the April 5, 2010 arrangement with 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 under this note and has issued no shares of common stock to the holder upon conversions. The Company and the holder entered into a Forbearance Agreement amendment, as amended, and funding and conversions have not occurred since April 2011. As of June 30, 2012, this convertible note had $321,000 outstanding which was combined with the April 5, 2010 arrangement with JMJ Financial, Inc.

On April 5, 2010, the Company entered into a 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 under this note and has issued no shares of common stock to the holder upon conversions. The remaining $1,144,000 of cash was to be received from the holder plus accrued and unpaid interest is convertible into shares of common stock at the option of the holder. As of June 30, 2012, this convertible note had $109,000 outstanding which was combined with the November 17, 2009 and December 15, 2009 arrangements with JMJ Financial, Inc., for a total of $802,060 for convertible notes. The Company has no promissory notes receivable from JMJ as of June 30, 2012.

The Company recorded $92,958 and $87,147 of interest expense on its arrangement with JMJ for the years ended June 30, 2017 and 2016, respectively.

As of June 30, 2017 and 2016, the combined arrangements with JMJ in this note would be convertible into 303,234,810 and 279,995,328 common shares at the conversion floor price of $.004, respectively.

The Company has not made any payments of the $37,018 installment payments commencing October 1, 2012 and the holder has continued to accrue interest on the outstanding balance. At June 30, 2016 the amount recorded in Current Liabilities for all three convertible notes and accrued interest thereon previously issued to JMJ Financial was $802,060 and $317,921, respectively. At June 30, 2017 the amount recorded in Current Liabilities for all three convertible notes and accrued interest thereon previously issued to JMJ Financial was $802,060 and $410,879, respectively.

mPHASE TECHNOLOGIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2017

8. STOCKHOLDERS' EQUITY - (Continued)

Arrangement #2 (John Fife dba St. George Investors)/Fife Forbearance

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 for previous notes with John Fife totaled $719,449; 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.

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.

On December 15, 2014, a Memorandum Opinion and Order was issued by the United States District Court Northern District of Illinois Eastern Division granting the motion of John Fife, plaintiff ("Plaintiff"), for summary judgment against mPhase Technologies, Inc. (the "Company") for breach of contract (the "Opinion"). All other claims and counterclaims were dismissed. The Company commenced settlement negotiations with the Plaintiff after we explored options with regard to an appeal and other alternatives, which there is no guarantee of success. As discussed in Note 7, effective February 10, 2015, the Company entered into a Forbearance Agreement with the Holder. The agreement provides that the Holder would forego his right to enforce its remedies pursuant to the judgment, which include demand for immediate payment of approximately $1.6 million, provided the Company satisfy its forbearance obligation of $1,003,943, and after accounting for a payment of $15,000 the Company paid, under the terms of the agreement.

The terms of the agreement, as amended, provide for interest to accrue on the unpaid portion at 9% per annum with monthly payments in cash or conversions into common stock of the Company; commencing with an initial $15,000 payment due on February 15, 2015, and thereafter and on or before the 15th day of each month thereafter the Company agrees to pay to Holder the following amounts ; $30,000.00 per month on each of the following dates: March 15, 2015, April 15, 2015, May 15, 2015, June 15, 2015, and July 15, 2015; $15,000.00 per month on each of the following dates: August 15, 2015 and September 15, 2015; $20,000.00 per month on each of the following dates: October 15, 2015, November 15, 2015, and December 15, 2015; $35,000.00 per month on each of the following dates: January 15, 2016 and February 15, 2016 and March 15, 2016; and $50,000.00 per month thereafter until the Forbearance Amount has been paid in full.

During the year ended June 30, 2016 the Company repaid $146,035 of principle and $72,465 of interest under the agreement, which included non-cash conversions of 812,500,000 shares of the Company's common stock valued at $70,000 of which $17,812 represented accrued interest and $52,188 represented principle. The value of the forbearance debt obligation on June 30, 2016 was $756,218.

As of August 11, 2015 the Company entered into an Amendment No. 1 with Fife to the Forbearance Agreement rescheduling the monthly payment schedules.

As of January 19, 2016 the Company entered into a Second Amendment to the Forbearance Agreement again rescheduling certain of the monthly payments.

As of June 30, 2016 this forbearance obligation, as amended, would only be convertible for monthly obligations the Company elects to/or does not pay in cash in part or in full, for: (i) up to 625,000,000 shares, for the satisfaction of the next required monthly payment, and (ii) up to 9,452,725,000 shares of our common stock should the entire obligation be converted.

On August 18, 2017 the Company entered into a Judgment Settlement Agreement with John Fife with respect to the Judgment in favor of Fife, which reduces the balance under the amended agreement to $360, 000, without conversion rights, in connection with the default by the Company under a Convertible Debenture dated September 13, 2011.

During the fiscal year ended June 30, 2017 this lender converted $15,000 of Convertible Debt which included $9,460 principal and $5,540 accrued interest thereon relating to the forbearance agreement into 187,500,000 shares of the Company's Common stock. The Company recorded $68,655 interest on this obligation for the fiscal year ended June 30, 2017, of which $63,115 was accrued and unpaid bringing the value of the forbearance debt obligation on June 30, 2017 to $809,873.

As of June 30, 2017 this forbearance obligation, as amended, would only be convertible for monthly obligations the Company elects to/or does not pay in cash in part or in full, for: (i) up to 625,000,000 shares, for the satisfaction of the next required monthly payment, and (ii) up to 10,123,399,750 shares of our common stock should the entire obligation be converted.

mPHASE TECHNOLOGIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2017

8. STOCKHOLDERS' EQUITY - (Continued)

Arrangement #3 (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 in which the Company received $40,000 in gross proceeds on September 1, 2014. The instrument is in the principal amount of $40,000 and matured on May 1, 2015. Interest only was 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 weighted 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 June 30, 2016 the note balance was $3,333 and accrued interest of $1,747, at 12%, remained due under this agreement. Based upon the price of the Company's common stock on June 30, 2016 this Note is convertible into approximately 84,672,667 shares of common stock. At June 30, 2017 the note balance was $3,333 and accrued interest of $2,392, at 12%, remained due under this agreement. Based upon the price of the Company's common stock on June 30, 2017 this Note is convertible into approximately 95,412,167 shares of common stock.

The Company recorded $644 and $577 interest expense for this agreement for the years ended June 30, 2017 and 2016, respectively.

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

	June 30, 2017	2016
Arrangement #1 - JMJ Financial, Inc	$802,060	$802,060
Arrangement #2 - St. George Investments/Fife Forbearance Obligation	809,873	756,218
Arrangement #3 - MH Investment trust II	3,333	3,333
Total notes payable	1,615,266	1,561,611

Convertible Notes payable-short-term portion	$1,615,266	$1,561,611

Included in accrued expenses is $413,271 and $319,669 interest accrued on these notes at June 30, 2017 and June 30, 2016, respectively.

During the fiscal year ending June 30, 2017 and 2016, the following transactions impacted stockholders' equity

Private Placements

During the fiscal year ended June 30, 2017, the Company received $40,500 of net proceeds from the issuance of 900,000,000 shares of common stock in private placements with accredited investors, incurring finder's fees of $4,500.

During the fiscal year ended June 30, 2016, the Company received $180,000 of net proceeds from the issuance of 1,116,666,666 shares of common stock in private placements with accredited investors, incurring finder's fees of $20,000.

Conversion of debt securities

During the fiscal year ended June 30, 2017, $15,000 of debt including of accrued interest and fees thereon was converted into 187, 500,000 shares of the Company's common stock to the forbearance agreement referred to as Arrangement #2 (John Fife dba St. George Investors) discussed above. This conversion consisted of $9,460 principal and $5,540 accrued interest.

During the fiscal year ended June 30, 2016, $115,000 of debt including of accrued interest and fees thereon was converted into 987,500,000 shares of common stock to holders of a Convertible Note and a demand loan. This included the conversion of $70,000 of Convertible Debt which consisted of $52,188 principal and $17,812 accrued interest thereon relating to the forbearance agreement referred to as Arrangement #2 (John Fife dba St. George Investors) discussed above, into 812,500,000 shares of the Company's Common stock. This also included the conversion a demand loan of $35,000 (discussed in Note-7 Other Loan Payable) with an unaffiliated shareholder into 175,000,000 shares of the Company's Common stock.

Stock Based Compensation

The Company issued awards of 26,058,000 shares of common stock to employees and consultants during the fiscal year ended June 30, 2016 valued at $8,107. No awards of shares were issued to employees and consultants during the fiscal year ended June 30, 2017. No stock-based compensation was issued to Officers of the Company during this fiscal years ended June 30, 2017 or 2016.

mPHASE TECHNOLOGIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2017

8. STOCKHOLDERS' EQUITY - (Continued)

RESERVED SHARES

The Forbearance agreement connected with arrangement #2 above requires the Company to place, and the Company has done so, 1,000,000,000 shares in reserve with its transfer agent, to satisfy the conversion provisions for any unpaid monthly cash payments. During the year ended June 30, 2016, 812,500,000 shares from this reserve have been issued to satisfy the conversion provisions. Through June 30, 2017, to satisfy the conversion provisions, 187,500,000 shares were issued from this reserve and no amounts remain under the reserve agreement with our transfer agent.

During the Fiscal Year Ended June 30, 2014 the Company advanced 40,000,000 shares distributable under the Equity Line of Credit discussed above, of which 3,990 shares of the Company's common stock were resold and 36,010,000 shares were unsold when the agreement expired in February 2015 and remain subject to be returned to the Company's treasury for cancellation.

RETIRED SHARES

Effective June 26, 2016, November 25, 2016 and June 26, 2017, Karen Durando, the wife of Ron Durando, returned 299,569,203, 800,000,000 and 295,430,797, for a total of 1,395,000,000 shares of common stock of the Company.

Such shares were previously issued common stock of the Company. The return of common stock was to provide the Company with sufficient authorized but unissued shares of stock to enable the Company to have additional authorized shares of its common stock to complete present private placements to provide operating capital for the Company.

9. RELATED PARTY TRANSACTIONS

MICROPHASE

During a portion of the fiscal year ended June 30, 2016, the Company leased office space from Microphase at its Norwalk location. Rental expense charged by Microphase was $4,500 from July 1, 2015 through June 30, 2016. During the year ended June 30, 2016, Microphase Corporation charged the Company $4,500 for rent. Mr. Ergul, retired as the chairman of the board of mPhase in November 2007. Mr. Ergul and his family had owned a controlling interest and he is a director of Microphase Corporation. On February 9, 2015 Mr. Durando assigned all his interests in the Capital Stock of Microphase to the RCKJ Trust as the Grantor. The beneficial owners for economic purposes at that time were Mr. Durando's children. Mr. Durando was a strategic employee of Microphase Corporation from January 2, 2015 through May 31, of 2017. On June 2, 2017 the RCKJ Trust, the holder of Durando's prior interest in Microphase, and the Ergul Family Limited partnership, the holder of Ergul's prior interest in Microphase, exchanged all (its) there shares of stock in Microphase in exchange for shares of stock in Digital Power Corporation, a publicly-held company then listed on the New York Stock exchange.

During the years ended June 30, 2017 and 2016, Mr. Biderman's firm charged finders' fees of $4,500 and $20,000.

During the fiscal years ended June 30, 2017 and 2016, the Company paid $14,500 and $59,500 of fees to Karen Durando, the wife of the Company's president, for product marketing services.

mPHASE TECHNOLOGIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2017

9. RELATED PARTY TRANSACTIONS - (Continued)

T**ransactions 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 these notes are payable on demand.These notes have been convertible into shares of the Company's common stock since 2009. The Company amended the conversion feature to provide for the conversion of the remaining Officers' loans into shares of common stock at a conversion price of $.0004, representing the concurrent terms of private placements with accredited investors, for a term of five years effective March 31, 2014.

During the fiscal years ended June 30, 2017 and 2016, $37,288 and $36,748 have been charged for interest on loans from officers.

At June 30, 2017 and 2016 these notes and accrued interest at the rate of 6% totaled $658,311 and $597,331, respectively. On June 30, 2017 and 2016, these Notes are convertible into approximately1,645,777,500 and 1,493,326,550 shares of common stock, respectively, if available.

Conversion Feature and Conversions of Debt to Officers'

During fiscal year ended June 30, 2016, officers of the Company did not convert any of the officer notes into common stock. The Company amortized $121,570 of the approximately $455,894 previously deferred charge to beneficial conversion feature interest expense for the year ended June 30, 2016. At June 30, 2016 $334,318 of deferred charges for beneficial conversion feature interest expense remain as a reduction of additional paid in capital which will be amortized on a straight-line basis over the life of the warrant or sooner if and when converted.

During fiscal year ended June 30, 2017, officers of the Company did not convert any of the officer notes into common stock. The Company amortized $121,570 of the approximately $334,318 previously deferred charge to beneficial conversion feature interest expense for the year ended June 30, 2017. At June 30, 2017 $212,748 of deferred charges for beneficial conversion feature interest expense remain as a reduction of additional paid in capital which will be amortized on a straight-line basis over the life of the warrant or sooner if and when converted.

mPHASE TECHNOLOGIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2017

10. INCOME TAXES

Due to recurring losses for the years ended December 31, 2017 and 2016, the Company's net tax provision was zero.

The difference between the effective income tax rate and the applicable statutory federal income tax rate is summarized as follows:

	2017	2016
Statutory federal rate	(35.0)%	(35.0)%
State income tax rate, net of federal benefit	(5.6)%	(5.6)%
Permanent differences, including stock based compensation & beneficial conversion interset expense	15.9 %	5.6 %
Change in valuation allowance	24.7 %	35.0 %
Effective tax rate	- %	- %

At June 30, 2017 and 2016, the Company's deferred tax assets were as follows:

Deferred Tax Liability	2017	2016
Property and equipment	-	-
Total deferred tax liability	-	-

Deferred Tax Assets	2017	2016
Federal and state net operating loss carry forward	42,650,000	42,814,400
Other temporary differences	-	-
Total deferred tax asset	42,650,000	42,814,400
Net deferred tax asset	42,650,000	42,814,400
Less valuation allowance	(42,650,000)	(42,814,400)
	$-	$-

The valuation allowance at June 30, 2017 and 2016 was $42,650,000 and $42,814,400, respectively. The valuation was reduced for a reduction in the total NOL carry forwards due to expiring loss years.

At June 30, 2017, the Company has federal net operating loss carry forwards of approximately $115.4 million and $56.6 million to offset future federal and state income taxes, respectively, which expire at various times from 2018 through 2036. The federal net operating loss carry forwards may be subject to the separate return loss limitation rules and IRC section 382 limitations due to changes in ownership. The Company has assessed the evidence of its forecasted future operations against the potential likelihood of the realization of the deferred tax assets to make the determination that the Company will not utilize these carry forwards and has recorded a valuation allowance against the net deferred tax asset.

mPHASE TECHNOLOGIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2017

10. INCOME TAXES - (Continued)

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

The Company had estimated net tax losses of $173,191 and $1,048,350 in 2017 and in 2016. Deferred income taxes relate principally to the use of net operating loss carry forwards; these can differ from computations based upon book losses for the use for tax purposes of accelerated depreciation methods and the difference in the book and tax basis of certain stock-based compensation, beneficial conversion interest expense and the effect of debt cancellation income.

At June 30, 2017 and 2016, the Company had no material unrecognized tax benefits and no adjustments to liabilities or operations were required. The Company does not expect that its unrecognized tax benefits will materially increase within the next twelve months. The Company did not recognize any interest or penalties related to uncertain tax positions at June 30, 2017 and 2016.

11. COMMITMENTS AND CONTINGENCIES

COMMITMENTS

Our corporate headquarters had been located in Clifton, New Jersey since August 15, 2014. The Company initially rented the Clifton premise under a one-year lease with monthly rent of $4,020, which was renewed with monthly rent of $4,132 per month through July 2016, when this lease terminated by mutual agreement with landlord. The Company cancelled its security deposit and no amounts remain due under the agreement.

The Company had leased a warehouse and limited office space in Norwalk, Connecticut, commencing in April of 2015 with a monthly rental of $2,200 per month. The Company vacated the Norwalk premise in April 2016 and the Company moved its warehouse contents, primarily inventory and associated shipping materials of its mPower battery products into the Clifton premise. The Company had $22,000 of unpaid rent in accounts payable at June 30, 2017 and 2016.

Presently the Company has relocated its office, which includes modest office space, limited storage and utilities, to 688 New Dorp Lane, Staten Island, New York, on May 1, 2017, the rental terms included a three-month commitment; renewable 3 months at a time, with monthly rent of $400 plus limited utilities.

The Company entered into a conditional lease for a production facility located in Passaic, New Jersey, the commencement of which was contingent upon the Company obtaining funding from investors pursuant to an economic development program within governmental guidelines. During the six months ended December 31, 2015 the Company canceled this lease and received the deposit.

CONTINGENCIES

The Company had been in litigation with John Fife with respect to a Convertible Note originally issued on September 13, 2011 in the principal amount of $557,000. Fife sought damages on a Motion for Summary Judgment in the amount in excess of $1,300,000 attorney's fees. On December 15, 2014 the federal district court in the North East District of Illinois found in favor of Fife on a motion for Summary Judgment. The Company has entered into a Forbearance Agreement with Fife as a result of negotiations to settle such Judgment.

The value of the forbearance obligation on June 30, 2017 is $809,873 (See Note 8), all of which are included in current liabilities at that date. The value of the judgment totaled approximately $1.6 million as of December 31, 2014 and bears a punitive interest rate of 16% and would become payable in full if the Company defaults under the forbearance obligation reduced by payments under the Forbearance Agreement, which through June 30, 2017 totals $275,000 or approximately, $1.325 million. Through June 30, 2017 the Company has not defaulted under the agreement. The Forbearance agreement requires the Company to place, and the Company has done so, 1,000,000,000 shares in reserve with its transfer agent, to satisfy the conversion provisions for any unpaid monthly cash payments, which through June 30, 2016, 812,500,000 shares from this reserve have been issued to satisfy the conversion provisions. During the Quarter ended September 30, 2016 187,500,000 shares were issued from this reserve and no amounts remain under the reserve agreement with our transfer agent.

As of June 30, 2017, this forbearance obligation would only be convertible for monthly obligations the Company elects to/or does not pay in cash in part or in full, for: (i) up to 625,000,000 shares immediately for the satisfaction of the next required monthly payment, and (ii) up to 10,123,399,750 shares of our common stock should the entire obligation be converted.

Subsequent to June 30, 2017 this Forbearance Agreement with Fife has been amended several times; the most recent providing for settlement amounts less than the aggregate of liabilities recorded in the financial statements. (See Note 13)

mPHASE TECHNOLOGIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2017

12. FAIR VALUE MEASUREMENTS

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

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

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3) Derivative Liability June 30,	
	2017	2016
Balance, Beginning of Year	$-	235,425
Increase (Decrease) in Derivative and associated liabilities	-	(35,647)
Debt discounts	-	-
Reversal of Entire Liability - Change in Accounting Estimate (see Note 3)	-	(199,778)

Balance, Ending	$ -	-

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

mPHASE TECHNOLOGIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2017

13. SUBSEQUENT EVENTS

From July 1, 2017 through June 10, 2018, the Company issued 1,400,000,000 shares of its common stock in private placements pursuant to Section 4(a)(2) of the Securities Act of 1933 and Rule 506 of Regulation D thereunder raising gross proceeds of $70,000, subject to $7,000 of accrued finder's fees, all of which was used for working capital and general corporate purposes.

On August 18, 2017 the Company entered into a Judgment Settlement Agreement with John Fife with respect to the Judgment in favor of Fife, which reduces the balance under the amended agreement to $360,000, without conversion rights, relating to the default by the Company under a Convertible Debenture dated September 13, 2011. On February 16, 2018, the Company and John Fife entered into an Amendment to a Judgment Settlement Agreement dated August 18, 2017 modifying the repayment schedule of a Convertible Debenture of the Company originally issued on September 13, 2011. At June 30, 2017 we had recorded $809,873 for the forbearance agreement and $0 for the derivative liability associated with the Conversion feature with respect to this arrangement, as amended.

In April of 2017, the Company received a judgment from the Federal District Court of Northern Illinois Eastern Division in its favor with prejudice dismissing a claim by River North Equity covering Convertible Securities of the Company which effectively negated the two notes River North Equity obtained from JMJ Financial. At June 30, 2017 the amount recorded in Current Liabilities for the two notes and accrued interest thereon subject to the River North Equity claim was $1,046,416 which is included in the amount recorded in Current Liabilities for all three convertible notes and accrued interest thereon previously issued to JMJ Financial which totaled $1,212,940 on that date. River North failed to appeal the Judgement by July 17, 2017 and the Judgement become final.

December 1, 2017 the Company announced in a Form 8k filing that as part of an over recapitalization of the Company that, subject to filing with the Secretary of State of New Jersey of an Amendment to its Certificate of Incorporation increasing it authorized shares of common stock to 72 billion shares, the Board of Directors has approved the granting of a total of 5,750,000,000 shares of common stock to Officers, Directors and an Accounting Consultant of the Company. It is necessary for the Company to complete the filing of 4 years of back state and federal income tax returns with the Department of Revenue of New Jersey in order to amend its Certificate of Incorporation. In addition, the Board of Directors approved the issuance of 16,000,000,000 shares to Officers and Directors and the Company's accounting Consultant in exchange for aggregate indebtedness and fees owed to such persons in the approximate amount of $1,600,000.

On December 28, 2017 the Company entered into a non-binding letter of intent with Scepter Commodities, LLC for the proposed acquisition by Scepter of 80% of the fully-diluted shares of the Company on a reverse split basis. As of February 15, 2018, and again as of April 3, 2018, the Company and Scepter amended the letter of intent extending

the time period for the Company to become current in its SEC filings. On February 15, 2018, April 3, 2018 and April 27, 2018 the Company entered into Amendment No. 1, 2 & 3 to a Letter of Intent with Scepter Commodities LLC extending the time frame for the Company to become current in its SEC filings to March 29, 2018, April 30, 2018 & May 31, 2018, respectively.

Subsequent to June 30, 2017, through June 10, 2018, Messrs. Durando, Biderman, and Smiley loaned the Company approximately $50,450, $10,000, and $15,000 to provide general working capital to commence the filings necessary to bring the Company's financial statements and required periodic each report pursuant to section 13 or 15(d) of the securities exchange act of 1934 current.

Effective October 19, 2017 Mr. Smiley returned 1,367,226,459 to the Company. Effective December 31, 2017 Patricia Dotoli, the wife of, Gus Dotoli, returned 1,336,972,075 shares of common stock to the Company.

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: June 18, 2018 By: /s/ RONALD A. DURANDO
Ronald A. Durando
President, CEO

By: /s/ MARTIN SMILEY
Martin Smiley
Chief Financial Officer

Pursuant to the requirements of the Securities and Exchange Act of 1934, this report has been signed by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

/s/ Ronald A. Durando Ronald A. Durando, Chief Executive Officer, Director	June 18, 2018
/s/ Gustave T. Dotoli Gustave T. Dotoli, Chief Operating Officer, Director	June 18, 2018
/s/ Martin S. Smiley Martin S. Smiley, Executive Vice President, Chief Financial Officer and General Counsel	June 18, 2018
/s/ Abraham Biderman Abraham Biderman, Director	June 18, 2018
/s/ Victor Lawrence Victor Lawrence, Director	June 18, 2018

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