

MPHASE TECHNOLOGIES INC  
Form 10-Q  
February 15, 2011

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

**FORM 10-Q**

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

FOR THE QUARTER ENDED **December 31, 2010**

COMMISSION FILE NO. **000-30202**

**mPhase Technologies, Inc.**

(Exact name of registrant as specified in its charter)

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

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

**587 CONNECTICUT AVE., NORWALK,  
CT**

(Address of principal executive offices)

**06854-1711**

(Zip Code)

**(203) 838-2741**

ISSUER'S TELEPHONE NUMBER

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

YES  NO

**THE NUMBER OF SHARES OUTSTANDING OF EACH OF THE REGISTRANT'S CLASSES OF  
COMMON STOCK AS OF February 14 2010 IS 1,471,280,041 SHARES, ALL OF ONE CLASS OF \$.01 PAR  
VALUE COMMON STOCK.**

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

	<b>June 30, 2010 (audited)</b>	<b>December 31, 2010 (unaudited)</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 228,437	\$ 234,458
Accounts receivable	122,478	22,025
Inventory	98,807	127,900
Prepaid and other current assets	208,707	374,875
Current Portion, Note receivable	2,700,000	2,700,000
<b>TOTAL CURRENT ASSETS</b>	<b>\$ 3,358,429</b>	<b>\$ 3,459,258</b>
Property and equipment, net	62,311	54,673
Notes receivable, net of contra reserve for utilization of corresponding Convertible Debenture agreement with La Jolla of \$600,000 and \$1,200,000	2,464,000	963,400
<b>TOTAL ASSETS</b>	<b>\$ 5,884,740</b>	<b>\$ 4,477,331</b>
<b>LIABILITIES AND STOCKHOLDERS' DEFICIT</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 539,444	\$ 696,421
Accrued expenses	540,203	583,615
Due to related parties	19,214	29,662
Notes payable, related parties	870,817	806,837
Short term notes	65,000	65,000
Accounts Payable and Accrued Expenses-Discontinued Activities	1,112,872	1,112,872
Current Portion, Long term debt	10,352	10,124
<b>TOTAL CURRENT LIABILITIES</b>	<b>\$ 3,157,902</b>	<b>\$ 3,304,531</b>
Long term portion Equipment loan	27,703	25,703
<b>OTHER OBLIGATIONS CONVERTIBLE TO EQUITY- (Note 3 )</b>		
Convertible debt derivative liability	5,966,149	2,397,506
Convertible debentures, net of discount of \$2,628,739 and \$1,740,410 on June 30, 2010 and Sept 30, 2010, respectively	4,577,710	3,883,090
<b>COMMITMENTS AND CONTINGENCIES -(Note 4)</b>		
<b>STOCKHOLDERS' DEFICIT</b>		
Common stock, par value \$.01, 2,000,000,000 shares authorized 1,163,751,952 and 1,361,432,713 shares issued and outstanding at June 30, 2010 and December 31, 2010, respectively	11,637,519	13,614,327
Additional paid in capital	174,683,294	174,144,331

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Deficit accumulated during development stage	(194,157,564)	(192,884,184)
Less-Treasury stock, 13,750 shares at cost	(7,973)	(7,973)
<b>TOTAL STOCKHOLDERS' DEFICIT</b>	<b>(\$7,844,724)</b>	<b>(\$5,133,499)</b>

<b>TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT</b>	<b>\$ 5,884,740</b>	<b>\$ 4,477,331</b>
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The accompanying notes are an integral part of these consolidated financial statements.

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

	For the Three Months Ended December 31, 2009	For the Three Months Ended December 31, 2010	Date of Inception to December 31, 2010
REVENUES	\$ 34,538	\$ 1,343	\$ 724,580
<b>COSTS AND EXPENSES</b>			
Cost of Sales		5,191	80,362
Research and Development (including non-cash stock related charges of \$0, \$0 and \$205,733 for the three months Dec 31, 2009 & 2010 and inception to date respectively)	579,247	140,815	11,966,740
General and Administrative (including non-cash stock related charges of \$0, \$0 and \$12,691,409 for the three months Dec 31, 2009 & 2010 and inception to date respectively)	489,232	446,701	26,376,569
Depreciation and Amortization	7,286	3,873	570,585
<b>TOTAL COSTS AND EXPENSES</b>	<b>1,075,765</b>	<b>596,580</b>	<b>38,994,256</b>
<b>OPERATING LOSS</b>	<b>\$ (1,041,227)</b>	<b>\$ (595,237)</b>	<b>\$ (38,269,676)</b>
<b>OTHER INCOME (EXPENSE)</b>			
Interest (Expense)	(42,117)	(25,401)	(2,541,591)
Net Reparation, Impairment and Other Income (Expense)	(35,530)	-	(6,593,027)
Net Credits (Charges) related to Convertible Debt	(2,381,263)	(100,471)	(691,581)
<b>TOTAL OTHER INCOME (EXPENSE)</b>	<b>(2,458,910)</b>	<b>(125,872)</b>	<b>(9,826,199)</b>
Income (Loss) From Continuing Operations, before Income Taxes	\$ (3,500,137)	\$ (721,109)	\$ (48,095,875)
Income (Loss) From Discontinued Operations, Net of Income Taxes of \$0 in 2009 and 2010, offset by benefit from tax loss carryforwards of \$0 in 2009 and 2010 (including non-cash stock related charges of \$0, \$0 and \$ 57,515,718 for the three months Dec 31, 2009 & 2010 and inception to date respectively)	-	-	(144,788,309)
Income Taxes	-	-	-
<b>Net Income (Loss)</b>	<b>\$ (3,500,137)</b>	<b>\$ (721,109)</b>	<b>\$ (192,884,184)</b>

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Net Income (Loss) per share from:

Continuing Operations-basic	\$	(0.00)	\$	(0.00)
Continuing Operations-diluted	\$	N/A	\$	N/A
Discontinued Operations	\$	-	\$	-

Weighted Average Number of Shares Outstanding:

Basic	1,025,537,377	1,226,037,125
Diluted	N/A	N/A

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

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

	For The Six Months Ended		Date of Inception to December 31, 2010
	2009	December 31, 2010	
REVENUES	\$ 86,375	\$ 30,151	724,580
<b>COSTS AND EXPENSES</b>			
Cost of Sales	-	14,658	80,362
Research and Development (including non-cash stock related charges of \$0, \$0 and \$205,733 for the six months Dec 31, 2009 & 2010 and inception to date respectively)	1,093,573	334,595	11,966,740
General and Administrative (including non-cash stock related charges of \$0, \$62,945 and \$12,691,409 for the six months Dec 31, 2009 & 2010 and inception to date respectively)	910,056	969,695	26,376,569
Depreciation and Amortization	12,571	7,746	570,585
<b>TOTAL COSTS AND EXPENSES</b>	<b>2,016,200</b>	<b>1,326,694</b>	<b>38,994,256</b>
<b>OPERATING LOSS</b>	<b>\$ (1,929,825)</b>	<b>\$ (1,296,543)</b>	<b>(38,269,676)</b>
<b>OTHER INCOME (EXPENSE)</b>			
Interest (Expense)	(722,817)	(55,341)	(2,541,591)
Net Reparation, Impairment and Other Income (Expense)	(31,246)	-	(6,593,027)
Net Credits (Charges) related to Convertible Debt	(1,213,193)	2,625,264	(691,581)
<b>TOTAL OTHER INCOME (EXPENSE)</b>	<b>\$ (1,967,256)</b>	<b>2,569,923</b>	<b>(9,826,199)</b>
Income (Loss) From Continuing Operations, before Income Taxes	\$ (3,897,081)	\$ 1,273,380	(48,095,875)
Income (Loss) From Discontinued Operations, Net of Income Taxes of \$0 in 2009 and 2010, offset by benefit from tax loss carryforwards of \$0 in 2009 and 2010 (including non-cash stock related charges of \$0, \$0 and \$ 57,515,718 for for six months Dec 31, 2009 & 2010 and inception to date respectively)	-	-	(144,788,309)
Income Taxes	-	-	-

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Net Income (Loss)	\$ (3,897,081)	\$ 1,273,380	(192,884,184)
Net Income (Loss) per share from:			
Continuing Operations-basic	\$ (0.00)	\$ 0.00	
Continuing Operations-diluted	N/A	\$ 0.00	
Discontinued Operations	\$ -	\$ -	
Weighted Average Number of Shares Outstanding:			
Basic	934,821,600	1,226,037,125	
Diluted	N/A	1,649,798,040	

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



mPHASE TECHNOLOGIES, INC.  
(A Development Stage Company)  
**CONSOLIDATED STATEMENT OF CHANGES IN  
SHAREHOLDERS' EQUITY (DEFICIT)**  
FOR THE PERIOD FROM JULY 1, 2010  
THROUGH DECEMBER 31, 2010  
(Unaudited)

	Common Stock			Additional	Accumulated	Shareholders'
	Shares	\$ .01 Par Value	Treasury Stock	Paid in Capital	Deficit	(Deficit) Equity
Balance July 1, 2010	1,163,751,952	\$ 11,637,519	\$ (7,973)	\$ 174,683,294	\$ (194,157,564)	\$ (7,844,724)
Conversions of Convertible Debentures plus accrued interest	167,605,761	1,676,058		(413,658)		1,262,400
Issuance of Common Stock for Services	5,075,000	50,750		12,195		62,945
Issuance of Common Stock to accredited investors in private placement, net of \$12,500 fees	25,000,000	250,000		(137,500)		112,500
Net Income for the Six Months ended December 31, 2010					1,273,380	1,273,380
Balance December 31, 2010	1,361,432,713	13,614,327	\$ (7,973)	174,144,331	\$ (192,884,184)	\$ (5,133,499)

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



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

	Six Months Ended		2-Oct-96
	December 31,		(Date of Inception) To December
	2009	2010	31, 2010
<b>Cash Flow From Operating Activities:</b>			
Net Income (Loss) From Continuing Operations	(\$3,897,081)	\$ 1,273,380	(\$48,095,875)
Net Income (Loss) From Discontinued Operations	\$ 0	\$ 0	(\$144,788,309)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	18,397	13,571	7,451,227
(Gain) loss on debt extinguishments	-	-	(1,084,608)
Non-cash charges relating to issuance of common stock, common stock options and warrants	43,050	62,945	70,314,689
Reparation charges	35,530	-	8,264,264
Derivative Value and Debt Discount charges	1,213,193	(2,625,264)	1,341,732
Write off of Granita Inventory/ Sovereign Investmen	-&nb		