

ZIONS BANCORPORATION /UT/
Form 4
June 03, 2009

FORM 4

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

OMB APPROVAL

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STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
ALEXANDER BRUCE K

2. Issuer Name and Ticker or Trading Symbol
ZIONS BANCORPORATION /UT/
[ZION]

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

(Last) (First) (Middle)

ONE SOUTH MAIN STREET,
15TH FLOOR

(Street)

3. Date of Earliest Transaction
(Month/Day/Year)
03/01/2009

____ Director
 Officer (give title below)
____ 10% Owner
____ Other (specify below)
Exec VP and / Pres. of Subsidiary

SALT LAKE CITY, UT 84133-1109

4. If Amendment, Date Original Filed(Month/Day/Year)

6. Individual or Joint/Group Filing(Check Applicable Line)
 Form filed by One Reporting Person
____ Form filed by More than One Reporting Person

(City) (State) (Zip)

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1. Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)	4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)	5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Ownership (Instr. 4)
				(A) or (D)	Price		
				Code V	Amount		
Common Stock	06/02/2009		A	11,535	A	17,374	D
Common Stock						3,094.428	I By 401(k) Plan

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(e.g., puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)	5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)	6. Date Exercisable and Expiration Date (Month/Day/Year)	7. Title and Amount of Underlying Securities (Instr. 3 and 4)	8. Price of Derivative Security (Instr. 5)	9. Number of Derivative Securities Owned Following Reporting Transaction (Instr. 6)
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Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
ALEXANDER BRUCE K ONE SOUTH MAIN STREET, 15TH FLOOR SALT LAKE CITY, UT 84133-1109			Exec VP and	Pres. of Subsidiary

Signatures

By Thomas E. Laursen as attorney in fact
Date: 06/03/2009

**Signature of Reporting Person Date

Explanation of Responses:

- * If the form is filed by more than one reporting person, see Instruction 4(b)(v).
- ** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. See 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).
- (1) Restricted shares granted under the Zions Bancorporation 2005 Stock Option and Incentive Plan. Restricted shares vest 25% per year for 4 years.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, see Instruction 6 for procedure. Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number.

	REPARATION VALUE	PRIOR NEW	NEW ISSUANCE OF	REPRICED	TOTAL	SHARES	WARRANTS	VA
1	3,862,000	\$ 216,689	\$ 1,000,000	200,000	4,000,000	0	0	\$ 216,689 3/25/09 INVESTOR
2	7,660,000	\$ 99,483	\$ 520,000	150,000	15,000,000	0	0	\$ 99,483 4/15/09 INVESTOR
3**	1,000,000	\$ 12,000	\$ 1,126,723	0	0	0	0	\$ 12,000 5/15/09 INVESTOR
3**	1,000,000	\$ 20,000	\$ -	0	0	0	0	\$ 20,000 6/15/09 INVESTOR
3**	1,000,000	\$ 20,000	\$ -	0	0	0	0	\$ 20,000 6/29/09 INVESTOR
4	5,000,000	\$ 64,000	\$ 250,000	50,000	5,000,000	0	0	\$ 64,000 TOTALS 19,522,000 \$ 432,172 \$ 2,896,723 \$ 400,000 24,000,000 0 0 \$ 432,172 **

of INVESTOR 3 was for conversion of debt

mPHASE TECHNOLOGIES, INC.
(A DEVELOPMENT STAGE COMPANY)
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8. STOCKHOLDERS' EQUITY- (continued)

BENEFICIAL CONVERSION FEATURE

In April 2009, the Board of Directors authorized the right for the officers to convert into shares of the Company's common stock officers' loans discussed in Note 9, plus accrued interest thereon, at any time for the next five years providing such shares are issued, outstanding and available, at a conversion price of \$.0075. The officers' notes plus accrued interest are convertible into approximately 116,108,933 shares of the Company's common stock based upon the conversion terms at June 30, 2010.

Other Equity

During the year ended June 30, 2008, the Company issued 1,000,000 shares of stock, and 110,000 options to purchase common stock valued at \$100,192 to individuals. In addition, it issued 4,663,741 shares of common stock valued at \$392,038 to reflect re-pricing agreements, 1,109,200 shares to pay for finders fees valued at \$100,000, and 5,250,000 shares of common stock valued at \$265,000 in connection with debt financing arrangements (see convertible debt below). The fair value of shares issued was estimated as of the date of grant using the Black-Scholes pricing model, based on the following weighted average assumptions: annual expected return of 0%, annual volatility ranging between 70 -79 %, a risk-free interest rate of 2.25% and expected option life of 5 years.

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

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

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

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

mPHASE TECHNOLOGIES, INC
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8. STOCKHOLDERS' EQUITY- (continued)**STOCK INCENTIVE PLANS**

A summary of the stock option activity for the years ended June 30, 2009 and 2010 pursuant to the terms of both plans, which include incentive stock options and non-qualified stock options, is set forth on the below:

	Number of Options	Weighed Average Exercise Price
Outstanding at June 30, 2008	45,978,000	\$ 0.25
Granted	104,675,000	0.05
Exercised	0	0
Cancelled/Expired	(5,360,000)	(0.25)
Outstanding at June 30, 2009	145,293,000	\$ 0.11
Granted	0	
Exercised	0	
Cancelled/Expired	(7,775,000)	(0.25)
Outstanding at June 30, 2010	137,518,000	\$.087

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

The following summarizes information about stock options outstanding at June 30, 2010:

RANGE OF EXERCISE PRICE	NUMBER OUTSTANDING	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER EXERCISABLE	WEIGHTED AVERAGE EXERCISE PRICE
\$.00-\$.05	104,650	2.8	\$.050	104,650	\$.05
\$.05-\$.35	32,858	1.2	\$.215	32,858	\$.215
Totals	137,518	2.5	\$.087	139,518	\$.087

During the fiscal year ended June 30, 2010 the Company issued no warrants and warrants for 40,953,943 expired. During the fiscal year ended June 30, 2009 the Company issued no warrants, and warrants covering 5,061,859 shares of common stock expired. As of June 30, 2010 and 2009 warrants covering 146,146,505 and 105,192,562 shares remain outstanding with a weighted average exercise price of \$ 0.21 and \$0.18 respectively.

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8. STOCKHOLDERS' EQUITY- (continued)

The following summarizes information about warrants outstanding at June 30, 2010:

RANGE OF EXERCISE PRICE	NUMBER OUTSTANDING	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER EXERCISABLE	WEIGHTED AVERAGE EXERCISE PRICE
\$.00-\$.15	14,104,168	2.9	\$.125	14,104,168	.125
\$.16-\$.21	84,341,674	.7	\$.185	84,342,674	.185
\$.22-\$.36	7,746,660	.2	\$.252	7,746,660	.252
Total	105,192,502			105,192,502	.18

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9. RELATED PARTY TRANSACTIONS

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

Mr. Abraham Biderman was employed until September 30, 2003, by our former investment-banking firm, Lipper & Company. During the fiscal year ended June 30, 2007, Mr. Biderman's current firm, Eagle Advisers, Inc., as a finder of money generated finder's fees of \$520,000, as well as additional administrative and occupancy charges of \$43,400. In 2008, Mr Biderman was paid \$188,472 in finders fees. During fiscal years ended June 30, 2009 and June 30, 2010 Mr. Biderman charged finders fees of \$80,000 and \$25,000 respectively.

During fiscal year ended June 30, 2009, Messrs. Durando, Dotoli and Smiley provided no net bridge loans to the Company.

As of June 30, 2010, bridge loans outstanding, including accrued interest thereon, from Mr. Smiley equaled \$183,187. All of the foregoing promissory notes are payable on demand. As of June 30, 2010, Mr. Durando and Mr. Dotoli are owed unpaid compensation plus accrued interest thereon at 12% per annum equal to \$419,436 and \$268,194 respectively.

In April 2009, the Board of Directors authorized the right for the officers to convert such loans plus accrued interest thereon at any time for the next five years into common shares provided such shares are issued, outstanding and available, at a conversion price of \$.0075, which price is comparable to that of private placements during the period. The Company recorded beneficial conversion interest expense of \$914,060 and \$82,609 during the years ended June 30, 2009 and June 30, 2010, respectively, on the conversion feature based upon principal at the commitment date and accrued interest through June 30, 2009 and June 30, 2010, respectively. The officers' notes plus accrued interest are convertible into approximately 116,108,933 shares of the Company's common stock based upon the conversion terms at June 30, 2010.

As of June 30, 2004, Mr. Smiley and Microphase each agreed to extend to July 25, 2005, the maturity on their 12% convertible promissory notes in the principal amounts of \$100,000 and \$180,000 respectively. Additionally, at June 30, 2004, Mr. Durando was owed \$300,000 by the Company as evidenced by a non-interest bearing promissory note that was repaid in July 2004. As of June 30, 2004, a total of \$55,000 in the aggregate was due to Mr. Durando and Mr. Dotoli for unpaid compensation.

Mr. Durando's June 30, 2004 note payable balance of \$300,000 was repaid by the Company during the nine month period ended March 31, 2005. During the first and second quarters of fiscal year 2005, Mr. Durando made additional bridge loans to the Company evidenced by various 12% demand notes in the aggregate amount of \$525,000. Mr. Durando was repaid a total of \$450,000 of such loans in January of 2005. In addition, Mr. Durando converted into common stock \$13,954 of the principal amount of a \$75,000 promissory note leaving unpaid principal of \$61,046 outstanding. Mr. Durando converted \$13,000 of accrued and unpaid interest on various promissory notes of the Company into 65,000 shares of common stock and a 5 year warrant to purchase a like amount of common stock at \$.25 per share.

mPHASE TECHNOLOGIES, INC
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9. RELATED PARTY TRANSACTIONS - (continued)

During the fiscal year ended June 30, 2005, Mr. Dotoli and Mr. Smiley each lent the Company \$75,000. Mr. Dotoli was repaid the principal amount of such loan in cash in January, 2005 and Mr. Smiley converted his \$75,000 loan into 375,000 shares of common stock of the Company plus a 5 year warrant to purchase a like amount of shares at \$.25 per share. In addition, Mr. Smiley converted \$9,975 of accrued interest into 49,875 shares of common stock plus a 5 year warrant to purchase a like amount of shares at \$.25 per share. Finally Mr. Smiley received 25,000 additional shares of common stock as a market adjustment to his equity investment of \$25,000 on August 30, 2004. Mr. Dotoli cancelled \$3,750 of accrued and unpaid interest from August 15, 2004 through January 15, 2004 in exchange for 375,000 shares of common stock issued pursuant to the terms of a portion of a warrant that was exercised at \$.01 per share previously given by the Company to Mr. Dotoli in exchange for and cancellation of unpaid compensation. On January 15, 2004, Mr. Smiley was awarded 425,000 shares of common stock as additional compensation. In July of 2005, Mr. Smiley was repaid a loan of \$35,000 without interest made to the Company in June of 2005. In the three month period ended September 30, 2005, Mr. Durando and Mr. Smiley lent the Company \$50,000 and \$100,000, respectively, which was repaid by the Company, without interest in October of 2005. On October 7, 2009, the Company paid Messrs. Durando, Dotoli and Smiley \$45,000, \$45,000 and \$25,000 respectively in reduction of amounts owed to them by the Company for unpaid compensation and bridge loans.

MICROPHASE

The Company leases office space from Microphase at both its Norwalk and Little Falls location. Current rental expense is \$3000 and \$2271 per month at Norwalk and Little Falls respectively. In addition, Microphase provides certain research and development services and shares administrative personnel from time to time. During the year ended June 30, 2010, Microphase Corporation charged the Company \$337,500 for project management fees, \$36,000 for rent and \$9,936 for administrative expenses.

Additionally, in July 2009 Microphase Corporation converted \$200,000 of accounts payable into 26,666,667 shares of the Company's common stock at \$.0075 per share. Such price was determined based upon the price of private placements of equity by the Company during such period.

JANIFAST

During the year ended June 30, 2000, mPhase advanced money to Janifast Limited, which is owned by U.S. Janifast Holdings, Ltd, a related party of which three directors of mPhase are significant shareholders, in connection with the manufacturing of POTS Splitter shelves and DSL component products. As of June 30, 2000 the amount advanced to Janifast was approximately \$1,106,000, which is included in production advances-related parties on the accompanying balance sheet. There were no such advances during the years ended June 30, 2002 and 2003. Pursuant to debt conversion agreements between the Company and Janifast, for the year ended June 30, 2001 Janifast received 1,200,000 shares of mPhase common stock canceling liabilities of \$600,000, and for the year ended June 30, 2002 Janifast received 3,450,000 shares of mPhase common stock and 1,200,000 warrants to purchase mPhase common stock for the cancellation of \$720,000 of liabilities, as discussed in Note 10. During the year ended June 30, 2003, Janifast was issued 1,500,000 shares of mPhase common stock in connection with the cancellation of \$360,000 of outstanding liabilities of mPhase, the value of which was based upon the price of the Company's common stock on the effective date of settlement. No gain or loss was recognized in connection with conversions by Janifast for fiscal 2003. During the years ended June 30, 2003, 2004 and 2005 and the period from inception (October 2, 1996) to June 30, 2005, there has been \$174,959, \$2,771,925, 1,536,494 and \$15,001,105, respectively, of invoices for products and

services have been charged to inventory or expense and is included in operating expenses in the accompanying statements of operations. Effective December 30, 2004, Janifast Ltd. agreed to convert \$200,000 of accounts payable into common stock of the Company at \$.20 per share plus a 5 year warrant for a like amount of shares at \$.25 per share.

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9. RELATED PARTY TRANSACTIONS - (continued)

During the year ended June 30, 2007, Janifast agreed to converted \$108,000 of debt into 830,000 shares of common stock and received 769,231 additional shares of stock as reparations.

In March of 2009, Janifast Ltd. ceased operations owing to its financial condition and the global downturn in the capital markets.

STRATEGIC VENDORS

On August 30, 2004, the Company paid \$100,000 in cash to Piper Rudnick LLP, outside legal counsel to the Company, as part of a renegotiated settlement agreement that was originally effective as of March 31, 2002. The Company was in arrears with respect to payments due under the original settlement agreement and as part of the renegotiated agreement agreed to make the following payments:

- a. \$25,000 on each of December 1, 2004, March 2005, June 1, 2005, September 1, 2005 and a \$50,000 payment on December 1, 2005. Thereafter the Company is obligated to pay \$25,000 on each of March 1, 2006, June 1 2006, and September 1, 2006 with a final payment of \$75,000 of December 1, 2006.
- b. The Company also delivered a 5 year cashless warrant to purchase \$150,000 worth of common stock at \$.25 per share.

The warrant was valued pursuant to EITF 96-18, the ascribed value of the warrant minus the debt cancelled resulting loss of \$40,500.

Equity Conversions of Debt and Other Financial Instruments with Related Parties

During the fiscal years ended June 30, 2009, and June 30, 2010, there were limited equity conversions of debt or other financial instruments with related parties.

	2009	2010
Janifast:		
Number of shares		
Number of warrants		
Amount converted to equity		
Microphase Corporation:		
Number of shares		26,666,667
Number of warrants		
Amount converted to equity		\$ 200,000
Total Related Party Conversions		
Number of shares	NONE	26,666,667
Number of warrants		
Amount converted to equity		\$ 200,000

mPHASE TECHNOLOGIES, INC
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9. RELATED PARTY TRANSACTIONS - (continued)**The Following Summarizes Compensation to Related Parties for the Fiscal Year Ended June 30, 2010**

	Durando	Dotoli	Smiley	Biderman	Microphase	Total
Consulting / Salary	\$ 200,000	\$ 180,000	\$ 175,000			\$ 555,000
Interest	\$ 56,483	\$ 39,375	\$ 24,356			\$ 120,214
Rent					\$ 36,000	\$ 36,000
G&A					\$ 9,936	\$ 9,936
R&D					\$ 337,500	\$ 337,500
Finders Fees				\$ 25,000		\$ 25,000
Stock based compensation (shares issued)*						\$ 0
Stock based compensation (options issued)**						\$ 0
Total compensation	\$ 256,483	\$ 219,375	\$ 199,356	\$ 25,000	\$ 383,436	\$ 1,083,650

The Following Summarizes Compensation to Related Parties for the Fiscal Year Ended June 30, 2009

	Durando	Dotoli	Smiley	Biderman	Microphase	Total
Consulting / Salary	\$ 275,718	229,000	182,292			\$ 687,010
Interest	\$ 61,473	62,514	21,048			\$ 145,035
Rent				36,000		\$ 36,000
G&A				16,773		\$ 16,773
R&D				150,000		\$ 150,000
Finders Fees				80,000		\$ 80,000
Stock based compensation (shares issued)*	\$ 1,541,700	913,600	571,000	228,400		\$ 3,254,700
Stock based compensation (options issued)**	\$ 1,944,912	1,166,947	700,168	77,796		\$ 3,889,823
Total Compensation	\$ 3,823,803	\$ 2,372,061	\$ 1,474,508	\$ 386,196	\$ 202,773	\$ 8,259,341
Common stock issued*	27,000,000	16,000,000	10,000,000		4,000,000	57,000,000
Options issued (5 years @ 5 cents)**	50,000,000	30,000,000	18,000,000		2,000,000	100,000,000

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9. RELATED PARTY TRANSACTIONS - (continued)**Summary of payables to related parties as of June 30, 2010**

	Durando	Dotoli	Smiley	Total Notes Payable & Accrued Interest	Microphase	Total Amounts Due to Related Parties
Notes payable	\$ 301,479	\$ 166,306	\$ 119,030	\$ 586,815	\$ 0	\$ 586,815
Due to Officers / Affiliates	\$ 0	\$ 0	\$ 0	\$ 0	\$ 19,214	\$ 19,214
Interest Payable	\$ 117,957	\$ 101,888	\$ 64,157	\$ 284,001	\$ 0	\$ 284,001
Total Payable to related parties as of June 30, 2010	\$ 419,436	\$ 268,194	\$ 183,187	\$ 870,817	\$ 19,214	\$ 890,030

Summary of payables to related parties as of June 30, 2009

	Durando	Dotoli	Smiley	Total Notes Payable & Accrued Interest	Microphase	Total Amounts Due to Related Parties
Notes payable	\$ 617,420	\$ 450,756	\$ 264,224	\$ 1,332,400	\$ 0	\$ 1,332,400
Due to Officers / Affiliates	\$ 0	\$ 5,550	\$ 0	\$ 5,550	\$ 230,778	\$ 236,328
Interest Payable	\$ 61,473	\$ 62,514	\$ 9,605	\$ 133,592	\$ 0	\$ 133,592
Total Payable to related parties as of June 30, 2009	\$ 678,893	\$ 518,820	\$ 273,829	\$ 1,471,542	\$ 230,778	\$ 1,702,320

mPHASE TECHNOLOGIES, INC.
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NOTE 10 - INCOME TAXES

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

	2009	2010
Deferred Tax Liabilities		
Property and equipment	-	-
Accrued expenses	-	-
Deferred Tax Assets		
Net operating loss carryforward	\$ 38,223,650	\$ 40,728,080
Accrued expenses	-	-
	38,223,650	40,728,080
Net Deferred Tax Asset	38,223,650	40,728,080
Valuation allowance	(38,223,650)	(40,787,080)
	\$ -	\$ -

At June 30, 2010, the Company has federal net operating loss carryforwards of approximately \$105.8 million and \$100.8 million to offset future federal and state income taxes respectively, which expire at various times from 2016 through 2030. The federal net operating loss carryforwards 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 carryforwards and has recorded a valuation allowance against the net deferred tax asset.

The Company has a loss of \$15,096,377 in 2009 and \$7,365,745 in 2010. Deferred income taxes relate principally to the use of net operating loss carryforwards; these can differ from computations based upon book losses for the use for tax purposes of accelerated depreciation methods and the difference in the book and tax basis of certain stock based compensation.

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

	Year ended June 30,			
	2010		2009	
	Amount	Percent	Amount	Percent
Taxes at Federal Statutory Rate	\$ (2,504,470)	(34.0)%	\$ (5,280,090)	(34.0)%
State Taxes Net of Federal Tax	(407,285)	(5.60)%	(871,215)	(5.61)%
Benefit Utilization of NOL	-	-	-	-
Tax Credits	-	-	-	-
Valuation Allowance	2,911,715	20.2%	3,142,150	20.2 %
Other-non deductible stock based compensation-restricted shares and unexercised options	-	-	3,009,155	19.4 %
	\$ -	-	\$ -	-

mPHASE TECHNOLOGIES, INC.
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11. COMMITMENTS AND CONTINGENCIES**COMMITMENTS**

The Company has a lease obligation for the rental of office space in Little Falls New Jersey until May 1, 2011. The annual obligation under such lease requires rent of \$2,271 per month (\$27,252 annually) for the year beginning June 1, 2010 and ending May 1, 2011.

mPhase has entered into various agreements with Georgia Tech Research ("GTRC") and its affiliate, Georgia Tech Applied Research Corporation ("GTARC"), pursuant to which the Company receives technical assistance in developing the commercialization of its Digital Video and Data Delivery System. The amount incurred by the Company for GTRC technical assistance with respect to its research and development activities during the years ended 2008, 2009 and 2010 totaled \$0, \$0 and \$0 respectively, and \$13,539,952 from the period from inception through June 30, 2010.

12. FAIR VALUE MEASUREMENTS

Effective July 1, 2008, we adopted Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* (SFAS 157), which provides a framework for measuring fair value under GAAP. SFAS 157 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. SFAS 157 requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. SFAS 157 also establishes a fair value hierarchy, which prioritizes the valuation inputs into three broad levels.

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

The table below presents a reconciliation for liabilities measured at fair value on a recurring basis at June 30, 2010 and 2009:

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3) Derivative Liability	
	June 30, 2009	June 30, 2010
Balance at July 1, 2009 and 2008	\$ 1,183,451	\$ 2,380,816
Increase (Decrease) in Derivative and associated liabilities	(249,058)	356,566
Debt discounts	1,446,423	3,228,767
Balance at June 30, 2010 and 2009	\$ 2,380,816	\$ 5,966,149

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

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13. SUBSEQUENT EVENTS

On September 24, 2010 the Company received a notice of an alleged Event of Default from La Jolla Cove Capital with respect to its Convertible Debenture issued in September of 2008. The Company has disputed the alleged Event of Default and believes it is in compliance with all material terms of the Convertible Debenture instrument. In addition the Company believes that it has significant affirmative defenses as well as significant legal remedies against La Jolla Cove Capital in connection with such alleged Event of Default. The Company is unable to predict at this time whether this matter will result in litigation.

Subsequent to June 30, 2010 holders of Convertible Notes issued by the Company converted principal plus accrued interest of \$615,713 into 69,786,253 shares of its common stock. Additionally the Company received \$375,000 in cash proceeds from the collection of secured note receivables from the holders of the Convertible Notes.

SCHEDULE II

ITEM 14B. VALUATION AND QUALIFYING ACCOUNTS

No material accounts exists.

