

MPHASE TECHNOLOGIES INC  
Form 10-Q  
June 08, 2018

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**WASHINGTON, D.C. 20549**

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

FOR THE QUARTER ENDED MARCH 31, 2017

COMMISSION FILE NO. **000-30202**

**FORM 10-Q**

**mPhase Technologies, Inc.**

*(Exact name of registrant as specified in its charter)*

**NEW JERSEY**                      **22-2287503**  
*(State or other jurisdiction of (I.R.S. Employer*  
*incorporation or organization) Identification Number)*

**688 New Dorp Lane**                                      **10306-4933**  
**Staten Island, New York,**  
*(Address of principal executive offices) (Zip Code)*

**973-256-3737**

*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**

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.

**THE NUMBER OF SHARES OUTSTANDING OF EACH OF THE REGISTRANT'S CLASSES OF COMMON STOCK AS OF MAY 17, 2018 IS 16,460,514,423 SHARES, ALL OF ONE CLASS OF \$.001 PAR VALUE COMMON STOCK.**

**mPHASE TECHNOLOGIES, INC.**

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**mPHASE TECHNOLOGIES, INC.****Condensed Consolidated Balance Sheets**

	March 31, 2017 (Unaudited)	June 30, 2016
<b>ASSETS</b>		
<b>CURRENT ASSETS (see Note 1)</b>		
Cash	\$929	\$4,717
Assets of discontinued operations	5,042	25,171
<b>TOTAL CURRENT ASSETS</b>	<b>5,971</b>	<b>29,888</b>
Property and equipment, net	1,420	3,631
Other Assets	800	-
<b>TOTAL ASSETS</b>	<b>\$8,191</b>	<b>\$33,519</b>
<b>LIABILITIES AND STOCKHOLDERS' DEFICIT</b>		
<b>CURRENT LIABILITIES (see Note 1)</b>		
Accounts payable	\$587,247	\$565,714
Accrued expenses	842,322	658,434
Due to related parties	216,545	212,545
Notes payable, Officers'	636,200	597,331
Notes payable, Director & Investor	120,793	115,486
Current Portion, Long term convertible debentures	1,597,535	1,561,611
Liabilities of discontinued operations	755,355	697,647
<b>TOTAL CURRENT LIABILITIES</b>	<b>4,755,996</b>	<b>4,408,767</b>
<b>STOCKHOLDERS' DEFICIT</b>		
Common stock, par value \$.001, 18,000,000,000 shares authorized, 17,960,143,845 and 17,772,643,845 shares issued and outstanding at March 31, 2017 (unaudited) & June 30, 2016, respectively	17,960,143	17,772,643
Additional paid in capital	189,488,619	189,533,940
Accumulated deficit	(212,196,567)	(211,681,831)
<b>TOTAL STOCKHOLDERS' DEFICIT</b>	<b>(4,747,805 )</b>	<b>(4,375,248 )</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT</b>	<b>\$8,191</b>	<b>\$33,519</b>

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

**mPHASE TECHNOLOGIES, INC.****Condensed Consolidated Statements of Operations****(Unaudited)**

	For the Three Months Ended	
	March 31, 2017	March 31, 2016
REVENUES	\$-	\$-
COSTS AND EXPENSES		
General and administrative	49,361	169,356
Depreciation and amortization	737	804
TOTAL COSTS AND EXPENSES	50,098	170,160
OPERATING LOSS	(50,098	) (170,160
OTHER INCOME (EXPENSE)		
Interest (Expense)	(75,391	) (83,575
Other Income (Expense)	-	18,378
Change in fair value of derivative liability	-	454,566
TOTAL OTHER INCOME (EXPENSE)	(75,391	) 389,369
Loss From Continuing Operations, before Income Taxes	(125,489	) 219,209
Loss From Discontinued Operations	(33,556	) 10,489
Income Taxes	-	-
Net Loss	\$(159,045	) \$229,698
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	17,848,199,400	16,503,289,787
Diluted	17,848,199,400	18,000,000,000

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

**mPHASE TECHNOLOGIES, INC.****Condensed Consolidated Statements of Operations****(Unaudited)**

	For the Nine Months Ended	
	March 31, 2017	March 31, 2016
REVENUES	\$-	\$-
COSTS AND EXPENSES		
General and administrative	184,308	545,554
Depreciation and amortization	2,211	2,346
TOTAL COSTS AND EXPENSES	186,519	547,900
OPERATING LOSS	(186,519 )	(547,900 )
OTHER INCOME (EXPENSE)		
Interest (Expense)	(226,120 )	(237,756 )
Other Income (Expense)	-	19,539
Change in fair value of derivative liability	-	17,864
TOTAL OTHER INCOME (EXPENSE)	(226,120 )	(200,353 )
Loss From Continuing Operations, before Income Taxes	(412,639 )	(748,253 )
Loss From Discontinued Operations	(102,097 )	(146,101 )
Income Taxes	-	-
Net Loss	\$(514,736 )	\$(894,354 )
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 & Diluted	17,900,609,173	16,197,503,647

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



**mPHASE TECHNOLOGIES, INC.****Condensed Consolidated Statements of Cash Flows****(Unaudited)**

	For the Nine Months Ended	
	March 31, 2017	March 31, 2017
Cash Flow From Operating Activities:		
Net Loss from continuing operations	\$(412,639)	\$(748,253)
Net Loss from discontinued operations	(102,097)	(146,101)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	2,211	2,346
Non-cash charges relating to issuance of common stock, common stock options and warrants	-	7,804
Gain on sale of patent	(12,500 )	(1,538 )
Change in fair value of derivative liability and debt discount charges (credits)	-	(20,072 )
Other non-cash charges for beneficial conversion interest expense	91,178	91,178
Amortization of loan discount, finance company	7,679	-
Changes in assets and liabilities:		
Accounts receivable	55	4,386
Inventories	20,074	150,758
Prepaid expenses and other current assets	-	29,014
Other assets	(800 )	3,060
Accounts payable & accrued expenses	201,196	212,544
Customer deposits	-	(26,691 )
Due to/from related parties		
Microphase & Eagle	4,000	4,500
Officers	162,000	248,444
Net cash used in operating activities	(39,643 )	(188,624)
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 finders fees	36,000	153,000
Proceeds of demand note	-	35,000
Proceeds from Finance Company	-	66,029
Repayment to Finance Company	(4,621 )	(34,178 )
Repayment of convertible debentures	-	(91,262 )
Proceeds from notes payable related parties	19,841	112,265
Repayment of notes payable related parties	(15,365 )	(54,096 )
Net cash provided by financing activities	\$35,855	\$186,758

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Net increase in cash	(3,788 )	(1,866 )
CASH AND CASH EQUIVALENTS, beginning of period	4,717	2,868
CASH AND CASH EQUIVALENTS, end of period	\$929	\$1,002

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

**mPHASE TECHNOLOGIES, INC.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**MARCH 31, 2017**

**(UNAUDITED)**

**1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**NATURE OF OPERATIONS**

mPhase Technologies, Inc. (the “Company”) was organized on October 2, 1996 and is presently focused on restructuring its debt obligations to be in a position to capitalize on its existing intellectual property portfolio and endeavor to further develop new “smart surface” products through the sciences of microfluidics, micro-electromechanical systems (MEMS) and nanotechnology. The Company plans to restructure its business through some combination of raising additional capital, strategic partnerships and or mergers & acquisitions.

**BASIS OF PRESENTATION**

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and pursuant to the regulations of the Securities Exchange Commission. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. Operating results for the nine months ending March 31, 2017 are not necessarily indicative of the results that may be expected for a full fiscal year. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company’s Annual Report on Form 10-K, as amended, for the year ended June 30, 2016.

**GOING CONCERN**

The Company’s unaudited condensed consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business.

Through March 31, 2017, the Company had incurred (a) cumulative losses totaling (\$212,196,567) and (b) a stockholders' deficit of (\$4,747,805). At March 31, 2017, the Company had \$929 of cash and \$385 of trade receivables from discontinued operations to fund short-term working capital requirements. In addition, the Company relies on the continuation of funding through private placements of its common stock. These matters raise substantial doubt about the Company's ability to continue as a going concern. The accompanying condensed consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

The Company's ability to continue as a going concern and its future success is dependent upon its ability to raise capital in the near term to: (1) satisfy its current obligations, (2) continue its research and development efforts, and (3) allow the successful wide scale development, deployment and marketing of its products. There can be no assurance the necessary debt or equity financing will be available, or if so, on terms acceptable to the Company.

#### INVENTORY- Discontinued Operations

The Company uses the First In First Out method (FIFO) to account for inventory which is carried at lower of cost and net realizable value. As of June 30, 2016, inventory consisted primarily of its various Jump products including the Jump and the mini Jump, and our remaining flashlight inventory, and was valued at \$23,551. As of June 30, 2016, inventory consisted primarily of the Company's line of Jump products including the new Jump Plus, and our remaining flashlight inventory, and was valued at \$3,477. The Company's Board of Directors', in a meeting on June 25, 2016, determined that it was in the best interest of the Company to discontinue its entire line of Jump products in the 1<sup>st</sup> quarter of fiscal year 2017 owing to increased competition and decreasing margins. Appropriate reserves have been taken as of June 30, 2016 and March 31, 2017 to assure that the cost of such inventory does not exceed the expected net realizable value.

#### USE OF ESTIMATES

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

#### CHANGE IN ACCOUNTING ESTIMATE FOR THE VALUE OF DERIVATIVE FINANCIAL INSTRUMENTS

Changes in fair value of derivative liabilities results from the changes in 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 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 issued by the Company 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 \$200,000 effective June 30, 2016.

As of September 30, 2016, due to the Company's current share price, lack of trading liquidity in the Company's common stock and limited shares available for conversions for the convertible notes, no basis for applying a derivative liability to the conversion of these notes.

#### LOSS PER COMMON SHARE, BASIC AND DILUTED

Basic income (loss) per share is computed by dividing net income (loss) by the weighted average number of shares of common stock outstanding during the period. Diluted earnings per share is computed by dividing net income (loss) adjusted for income or loss that would result from the assumed conversion of potential common shares from contracts that may be settled in stock or cash by the weighted average number of shares of common stock, common stock equivalents and potentially dilutive securities outstanding during each period. The Company had no warrants to purchase shares of its common stock and no options to purchase shares of its common stock outstanding at March 31, 2017.

At March 31, 2017 the Company has convertible securities held by third parties that are immediately convertible into 1,014,850,000 shares of common stock (which amount include one additional assumed monthly conversion by John Fife in April 2016 under the terms of the Forbearance Agreement, as amended). Under the terms of the Forbearance Agreement, as amended, with John Fife (arrangement #4), Fife may acquire a total of 9,901,768,500 shares of the Company's common stock based upon the conversion terms; if the forbearance agreement discussed in Note 3 is settled entirely in stock. In addition, the Company has convertible notes plus accrued interest thereon held by officers of the Company, subject to availability, convertible into approximately 1,088,470,000, immediately, if available.

The following table illustrates debts convertible into shares of the Company's Common Stock at September 30, 2016:

	March 31, 2017			Shares Convertible	
	Note Principle	Accrued Interest	Total	immediately	over full term, if available*
Arrangement #1 - JMJ Financial, Inc	\$802,060	\$386,940	\$1,189,000	297,250,000	297,250,000
Arrangement #2 - St. George Investments/Fife Forbearance Obligation	792,141	-	792,141	625,000,000	9,901,768,500
Arrangement #3 - MH Investment trust II	3,333	2,223	5,556	92,600,000	92,600,000
Total Convertible Notes payable	1,597,534	389,163	1,986,697	1,014,850,000	10,291,618,500
Notes Payable- Officers*	636,200	-	636,200	-	1,590,500,000
Total	\$2,233,734	\$389,163	\$2,622,897	1,014,850,000	11,882,118,500

\* convertible if shares available

## 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 nine months ended March 31, 2017.

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

	<b>March 31, 2017</b> (Unaudited)			June 30, 2016		
	<i>Total</i>	<i>Discontinued</i>	<i>Continuing</i>	<i>Total</i>	<i>Discontinued</i>	<i>Continuing</i>
<b>ASSETS</b>						
<b>CURRENT ASSETS</b>						
Cash	\$929	\$ -	\$929	\$4,717	\$ -	\$4,717
Accounts receivable, net	385	385	-	440	440	-
Inventory, net	3,477	3,477	-	23,551	23,551	-
Prepaid and other current assets	1,180	1,180	-	1,180	1,180	-
<b>TOTAL CURRENT ASSETS</b>	<b>5,971</b>	<b>5,042</b>	<b>929</b>	<b>29,888</b>	<b>25,171</b>	<b>4,717</b>
Property and equipment, net	1,420	-	1,420	3,631	-	3,631
Other Assets	800	-	-	-	-	-
<b>TOTAL ASSETS</b>	<b>7,391</b>	<b>5,042</b>	<b>2,349</b>	<b>33,519</b>	<b>25,171</b>	<b>8,348</b>
<b>LIABILITIES</b>						
<b>CURRENT LIABILITIES</b>						
Accounts payable	1,179,989	592,742	587,247	1,143,956	578,242	565,714
Accrued expenses	979,516	137,195	842,322	750,628	92,195	658,434
Due to related parties	216,545	-	216,545	212,545	-	212,545
Notes payable, Officers'	636,200	-	636,200	597,331	-	597,331
Notes payable, Director & Investor	120,793	-	120,793	115,486	-	115,486
Note Payable, Finance Company	25,418	25,418	-	27,210	27,210	-
Current Portion, Long term convertible debentures	1,597,535	-	1,597,535	1,561,611	-	1,561,611
<b>TOTAL LIABILITIES</b>	<b>\$4,755,996</b>	<b>\$ 755,355</b>	<b>\$4,000,642</b>	<b>\$4,408,767</b>	<b>\$ 697,647</b>	<b>\$3,711,121</b>

## DISCONTINUED OPERATIONS - (Continued)

Revenue and Expense Recognition for Discontinued Operations

The Company has recognized revenue on its 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 Three Months Ended	
	March 31, 2017	March 31, 2016
	Discontinued	Discontinued
REVENUES	\$-	\$ 96,592
COSTS AND EXPENSES		
Cost of sales	396	61,537
Research and development	-	-
Selling and marketing (including non-cash stock related charges of \$0 and \$2,417 for the three months ended March 31, 2017 & 2016).	300	32,287
General and administrative	21,101	38,132
Depreciation and amortization	-	-
TOTAL COSTS AND EXPENSES	21,797	131,956
OPERATING LOSS	(21,797)	(35,364 )
OTHER INCOME (EXPENSE)		



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Interest (Expense)	(11,759)	(10,329 )
Other income (Expense)	-	-
Change in fair value of derivative liability	-	56,182
<b>TOTAL OTHER INCOME (EXPENSE)</b>	<b>(11,759)</b>	<b>45,853</b>
Loss From Discontinued Operations	<b>\$(33,556)</b>	<b>\$ 10,489</b>

	For the Nine Months Ended	
	March 31, 2017	March 31, 2016
	Discontinued	Discontinued
REVENUES	\$20,516	\$ 494,938
COSTS AND EXPENSES		
Cost of sales	20,471	339,096
Research and development	38	-
Selling and marketing (including non-cash stock related charges of \$0 and \$7,804 for the nine months ended March 31, 2017 & 2016).	11,198	126,937
General and administrative	67,780	147,828
Depreciation and amortization	-	-
TOTAL COSTS AND EXPENSES	99,487	613,861
OPERATING LOSS	(78,971 )	(118,923 )
OTHER INCOME (EXPENSE)		
Interest (Expense)	(35,626 )	(29,386 )
Other income (Expense)	12,500	-
Change in fair value of derivative liability	-	2,208
TOTAL OTHER INCOME (EXPENSE)	(23,126 )	(27,178 )
Loss From Discontinued Operations	\$(102,097)	\$(146,101 )
RECLASSIFICATIONS		

Certain reclassifications have been made in the prior period consolidated financial statements, primarily selling and marketing expense in the prior period, to conform to the current period presentation. The reclassified financial statement items had no effect on (a) Net Loss for the three months ended March 31, 2017 and 2016, or (b), total Stockholders' Deficit or total Assets as of March 31, 2017 or June 30, 2016. For the nine months ended March 31, 2017 the Company's Statements of Operations and Cash Flows have been reclassified to the current presentation to reflect the Discontinued Operations resulting from terminating the Jump line of products which ceased having material sales in the first quarter of Fiscal 2017.



**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 years ended June 30, 2016 and 2015, 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.

**2.SUPPLEMENTAL CASH FLOW INFORMATION**

	For the Nine Months Ended	
	March 31, 2017	March 31, 2016
Statement of Operation Information:		
Interest paid (net interest income)	\$ 73,491	\$ 76,570
Non-Cash Investing and Financing Activities:		
Conversion of \$9,460 convertible debt and \$5,540 accrued interest to 187,500,000 shares of the Company's common stock in 2017. Conversion of \$3,907 convertible debt and 6,093 accrued interest thereon and a \$35,000 demand note into 62,500,000 and 175,000,000 shares respectively, or a total of \$45,000 of debt into 237,500,000 shares of the Company's common stock in 2016.	\$ 15,000	\$ 45,000
Conversion of \$18,000 of officer loan in consideration of transfer of vehicle at market value	\$ -	\$ 18,000
Non-cash loan charges relating to initial and second funding under factoring agreement(s), including revision	\$ -	\$ 2,295

Amortization of loan discount	\$ 7,679	\$ -
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### **3.EQUITY TRANSACTIONS, NOTES PAYABLE AND CONVERTIBLE DEBT**

#### **Private Placements**

During the nine months ended March 31, 2017, the Company issued 800,000,000 shares of common stock generating gross proceeds of \$40,000 net of finder's fees of \$4000 in private placements pursuant to Section 4(a) (2) of the Securities Act of 1933, as amended. The proceeds were used by the Company as working capital.

During the nine months ended March 31, 2016 the Company issued 616,666,667 shares of its common stock in connection with private placements pursuant to Section 4(a) (2) of the Securities Act of 1933, as amended, raising gross proceeds of \$170,000 and incurring finder's fees of \$17,000. The proceeds were used by the Company as working capital.

#### **Stock Based Compensation**

During the nine months ended March 31, 2017, the Company did not issue any common stock, warrants or options to employees or officers.

During the nine months ended March 31, 2016, the Company issued 23,028,000 shares of common stock compensation to an employee valued at \$7,804, based upon the closing trading price for each quarter end earned, the entire amount of which is included in selling and marketing expenses in the Condensed Consolidated Statements of Operations for that period. The Company during such period did not issue any common stock, warrants or options to officers.

#### **Other Short-Term Notes**

#### **Note Payable, Director**

A Mr. Biderman, a Director of the Company, loaned the Company \$90,000 in the fourth quarter of fiscal year ended June 30, 2015 and additionally 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 resulted in \$115,486 outstanding at June 30, 2016. During the nine months ended March 31, 2017 the Company recorded \$5,307 of accrued interest and \$120,793 was outstanding at March 31, 2016.

#### **Note Payable Finance Company - Discontinued Operations**

The Company Borrowed approximately \$66,000 from a finance company under two advances commencing January 2016, with scheduled repayments of approximately \$87,500 originally due through July 2016, incurring \$36,193 of finance charges which were included in interest expense during the fiscal year ended June 30, 2016. At June 30, 2016, \$30,039 remained outstanding under this note. During the nine months ended March 31, 2017 we incurred \$7,679 of finance charges under this note, we repaid \$4,621 of principal and at March 31, 2016, \$25,418 remains outstanding.

#### **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 fiscal year ended June 30, 2016, all three of which were still active as of March 31, 2017.

During the nine months ended March 31, 2017, the Company incurred the conversion of \$15,000 of Convertible Debt which consisted of \$5,540 principal and \$9,460 accrued interest thereon relating to the forbearance agreement into 187,500,000 shares; of the Company's Common stock.

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

	March 31, 2017	June 30, 2016
Arrangement #1 - JMJ Financial, Inc	\$802,060	\$802,060
Arrangement #2 - St. George Investments/Fife Forbearance Obligation	792,141	756,218
Arrangement #3 - MH Investment trust II	3,333	3,333
Total notes payable	1,597,534	1,561,611
less: unamortized debt discount	-	-
Convertible Notes payable, net of discount	1,597,534	1,561,611
Convertible Notes payable-short term portion	-	-
Convertible Notes payable-long term portion	\$1,597,534	\$1,561,611

Included in accrued expenses is \$389,164 and \$319,669 of interest accrued on these notes at March 31, 2017 (unaudited) and June 30, 2016, respectively

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

#### **Arrangement #1 (JMJ Financial, Inc.)**

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 December 15, 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 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.

As of March 31, 2017, and as of June 30, 2016, the combined arrangements with JMJ in this note would be convertible into 297,250,000 and 279,995,328 common shares at the conversion floor price of \$.004; and would be required to do so if the Company does not make the scheduled payments pursuant to the June 1, 2012 amended agreement.

The Company has not made any payments of the \$37,018 installment payments commencing October 1, 2012 and the holder has continued to accrue interest on the outstanding balance. At March 31, 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 \$386,940 respectively. 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.

## **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 including an appeal of the Judgment which the Company concluded would have a low probability of success.

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, (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 15<sup>th</sup> 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.

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The Forbearance agreement required the Company to place, and the Company had done so, 1,000,000,000 shares in reserve with its transfer agent, to satisfy the conversion provisions for any unpaid monthly cash payments. The original agreement also provided that the Company file a Proxy statement before June 1, 2015 should additional shares be needed for the conversion reserve. The Company has not filed such a proxy statement due to cost prohibitions. The Company had not issued any stock for conversions since entering into the forbearance agreement and during the year ended June 30, 2015 and has made cash payments repaying \$69,081 of principle and \$41,019 of interest under the agreement. The value of the forbearance debt obligation on June 30, 2015 was \$902,253.

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.

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 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 9,452,720,625 shares of our common stock should the entire obligation be converted.

During the nine months ended March 31, 2017 the Company repaid \$9,460 of principle and \$5,540 of interest under the agreement, with non-cash conversions of 187,500,000 shares of the Company's common stock valued at \$15,000. The value of the forbearance debt obligation on March 31, 2017 was \$792,141, after giving effect to additional accrued interest of \$35,924, resulting in total interest charged under this agreement during this quarter of \$41,464.

As of March 31, 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 9,901,768,500 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. (See

also “Subsequent Events”).

### **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 March 31, 2017 the note balance was \$3,333 and accrued interest of \$2,223, at 12%, remained due under this agreement. Based upon the price of the Company's common stock on March 31, 2017 this Note is convertible into approximately 92,600,000 shares of common stock.

## **4. 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 has \$22,000 of unpaid rent in accounts payable at March 31, 2016.

## **5. 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 March 31, 2017 is \$792,141 (See Note 3), 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, 2016 totals \$250,000 or approximately, \$1.35 million. Through June 30, 2016 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 year ended June 30, 2017 187,500,000 shares were issued from this reserve and no amounts remain under the reserve agreement with our transfer agent.

As of March 31, 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 9,901,768,500 shares of our common stock should the entire obligation be converted.

Subsequent to December 31, 2016 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 Note3)

## 6. FAIR VALUE MEASUREMENTS

Effective July 1, 2008, we adopted Accounting Standards Codification (“ASC”) 820-10-20, *Fair Value Measurements*, which provides a framework for measuring fair value under GAAP. ASC 820-10-20 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC 820-10-20 requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. ASC 820-10-20 also establishes a fair value hierarchy, which prioritizes the valuation inputs into three broad levels. Financial assets and liabilities valued using level 1 inputs are based on unadjusted quoted market prices within active markets. Financial assets and liabilities valued using level 2 inputs are based primarily on quoted prices for similar assets or liabilities in active or inactive markets. For certain long-term debt, the fair value was based on present value techniques using inputs derived principally or corroborated from market data. Financial assets and liabilities using level 3 inputs were primarily valued using management’s assumptions about the assumptions market participants would utilize in pricing the asset or liability. Valuation techniques utilized to determine fair value are consistently applied.

The table below presents reconciliation for liabilities measured at fair value on a recurring basis at March 31, 2017 and 2016:

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3) Derivative Liability	
	March 31, 2017	March 31, 2016
Balance, Beginning of Year	\$ -	235,425
Increase (Decrease) in Derivative and associated liabilities	-	(20,072)
Debt discounts	-	-
Balance, Ending	\$ -	215,353

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

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

We have determined that it is not practical to estimate the fair value of our notes payable because of their unique nature and the costs that would be incurred to obtain an independent valuation. We do not have comparable outstanding debt on which to base an estimated current borrowing rate or other discount rate for purposes of estimating the fair value of the notes payable and we have not been able to develop a valuation model that can be applied consistently in a cost efficient manner. These factors all contribute to the impracticability of estimating the fair value of the notes payable. At March 31, 2017, the carrying value of the notes payable and accrued interest for convertible agreements and officers' notes was approximately \$2,422,085. The JMJ convertible notes, which were originally due at various times through December 31, 2012, yield an interest rate of 12%, the Fife Forbearance obligation is 9%. Refer to Note 3 of these unaudited condensed consolidated financial statements for more information about the Company's notes payable as of March 31, 2017.



## **7. RELATED PARTY TRANSACTIONS**

### **MICROPHASE CORPORATION**

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. Microphase provided certain research and development services and shares administrative personnel from time to time. Mr. Necdet 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.

During the three months ended March 31, 2017 and 2016, \$0 had been charged for rent and \$0 has been charged for other expenses, respectively, to the Company by Microphase. As of March 31, 2017, the Company owed \$32,545 to Microphase.

### **OTHER RELATED PARTIES**

On March 31, 2017, Mr. Biderman's affiliated firms of Palladium Capital Advisors and Eagle Strategic Advisers were owed unpaid finders' fees in the amount of \$184,000, which is included in due to related parties. Also Mr. Biderman loaned the Company \$90,000 in the fourth quarter of the fiscal year ended June 30, 2015 and additionally, he advanced the Company \$20,000 in the fiscal year ended June 30, 2016, net of repayments, together with \$5,486 of accrued interest resulted in \$115,486 outstanding at June 30, 2016. During the nine months ended March 31, 2017 the Company recorded \$5,307 of accrued interest and \$120,793 was outstanding at March 31, 2017.

During the nine months ended March 31, 2017 and 2016, Mr. Biderman's firm charged finders' fees of \$4,000 and \$17,000.

During the nine months ended March 31, 2017 and 2016, the Company recorded \$14,500 and \$50,000 of fees to wife of the Company's President for product marketing services.

### **Transactions with Officers**

At various points during past fiscal years the Messrs. Durando, Dotoli and Smiley provided bridge loans to the Company evidenced by individual promissory notes and deferred compensation so as to provide working capital to the Company. All of these notes are payable on demand.

During the nine months ended March 31, 2017 and 2016, \$23,681 and \$27,865 have been charged for interest on loans from officers.

At March 31, 2017 the officers' loans together with accrue interest totaled \$613,956. At June 30, 2016 the officers' loans together with accrue interest totaled \$597,331.

## 7.SUBSEQUENT EVENTS

From April 1, 2017 through the date hereof, the Company issued 1,300,000,000 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 aggregate of \$65,000 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, in connection with the default by the Company under a Convertible Debenture dated September 13, 2011. The Company reserved 1 billion shares of its common stock with its transfer agent, to satisfy the conversion provisions for any unpaid monthly cash payments required under the terms of a Forbearance Agreement with John Fife dated February 10, 2015, which through August 31, 2016, the entire 1 billion shares from this reserve have been issued to satisfy the conversion provisions through that date. No payments have been made under this agreement since August of 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, relating to 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 March 31, 2017 the amount recorded in Current Liabilities for all three convertible notes and accrued interest thereon previously issued to JMJ Financial was \$1,189,000. At March 31, 2017 the amount recorded in Current Liabilities for the two notes and accrued interest thereon subject to the River North Equity claim was \$1,027,376.

Subsequent to March 31, 2017, 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.

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 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 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.

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.



## **ITEM 2. MANAGEMENT'S DISCUSSION OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS**

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

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

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

### **RESULTS OF OPERATIONS OVERVIEW**

mPhase 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 Command™. 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 prior to initial activities, 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 as a reverse battery for heart pacemakers and other medical devices.

mPhase's Smart NanoBattery technology has been incorporated in 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 shared with Rutgers University that (netted \$500,000) Phase II STTR grant to continue battery development work for the SRAM project. That program continued 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**

In June 2016 the Company sold a patent covering a portion of its Jump product line for \$25,000, with two installments each for \$12,500, recording other income in its discontinued operations of that amount in the year ended June 30, 2016 and the nine months ended March 31, 2017.

Commencing in April of 2016, the Company began discontinuing its line of Jump Starter products due 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 \$23,551 as of June 30, 2016 (See Note 3 under the caption "Discontinued Operations" and Note 13- Subsequent Events).

## FINANCIAL OVERVIEW

**Revenues.** Since October 1, 2013, quarterly revenue, if any, has primarily been attributable to sales of its Jump and Mini Jump Products. Owing to increased competition, contracting margins and the inability to fund volume purchases of inventory at favorable prices, the Company decided to discontinue its line of Jump Starter products.

**Cost of revenues.** Cost associated with revenues are comprised primarily of the cost to purchase out-sourced developed and manufactured products internationally and having them private labeled under the mPower brand name.

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

**General and administrative.** General and administrative expenses consist primarily of salaries and related expenses for personnel engaged in sales of its automotive jump starter product line and legal and accounting personnel. In addition the Company from time to time will use outside consultants. Certain administrative activities are outsourced.

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

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

**THREE MONTHS ENDED MARCH 31, 2017 VS. MARCH 31, 2016**

***Continuing Operations***

***General and Administrative Expenses.*** General and administrative expenses charged to continuing operations were \$49,361 for the three months ended March 31, 2017 compared to \$169,336 for the three months ended March 31, 2016, a decrease of \$119,975. The Company reduced the salaries of the three officers of the Company in the three and nine months ended March 31, 2017 and laid off full time employees resulting in lower accrued payroll of approximately \$0 to executive officers and \$20,915 in cash payments for staff as compared to three months ended March 31, 2016. The Company also cut \$121,953 of other administrative expenses, primarily for office space and professional fees in the current year from the prior year.

***Other Income and Expense.*** Interest expenses charged to continuing operations were \$75,391 in the three months of Q3 2016 as compared to \$83,575, a decrease of \$8,184 due to larger liability balances. The three months ended March 2016 included non-cash gains of \$378 to continuing operations from reconciliation discrepancies and a change in derivative value. The aforementioned period also included a cash gain of 18,000 from the sale of a vehicle purchased from the Company by Mr. Dotoli, a related party.

***Net loss.*** mPhase recorded net losses of \$125,489 from continuing operations for the three months ended March 31, 2017, less \$33,556 a loss from discontinued operations, resulting in a net loss of \$159,045 for the current year as compared to a net gain of \$229,698 in the prior relative period, which consisted of a \$219,209 gain from continuing operations and a \$10,489 gain loss from discontinued operations for the three month periods ended March 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 17,848,199,400 and 16,503,289,787 during the three month periods ending March 31, 2017 and March 31, 2016 respectively.

***Discontinued Operations***

***Revenues.*** Total revenues for the three months ended March 31, 2017 decreased to \$0 from \$96,592 in March 2016. The revenue decrease for the current period was derived solely from decreased the sales of the mPower Jump products.



**Cost of sales.** Cost of sales decreased \$61,141 for the three months ended March 31, 2017 to \$396 from \$61,537 in March 2015. This decrease is directly attributable to the decreased sales of our mPower Jump products.

**Research and Development.** Research and development expenses were \$0 for the three months ended March 31, 2017 as compared to \$0 for the three months ended March 31, 2015, unchanged. Such values are attributable to the wind-down of the Company's efforts to sell its Jump Products.

**Selling and Marketing Expenses.** Selling and marketing expenses were \$300 for the three months ended March 31, 2017 compared to \$32,287 for the three months ended March 31, 2016, a decrease of \$31,987. 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 \$21,101 for the three months ended March 31, 2017 compared to \$38,132 for the three months ended March 31, 2016, a decrease of \$17,031. The Company reduced the salaries of the three officers of the Company in the three and nine months ended March 31, 2017 and laid off full time employees resulting in lower accrued payroll charged to discontinued operations of approximately \$0 to executive officers and \$2,585 in cash payments for staff as compared to three months ended March 31, 2016. The Company also cut \$15,073 of other administrative expenses, primarily for office space and professional fees in the current year from the prior year.

**Other Income and Expense.** Interest expenses charged to discontinued operations were \$11,759 in March 2017 as compared to \$10,329 due to larger liability balances. During the three months ended March 2016 a non-cash gain to discontinued operations of \$56,182 was made due to a change in derivative value.

**Net loss from Discontinued Operations.** mPhase recorded a net loss from discontinued operations of \$33,556 for the three months ended March 31, 2017 as compared to a net gain of \$10,489 for the three months ended March 31, 2016. This represents a loss from discontinued operations per common share of \$(0.00) in 2017 as compared to \$(0.00) in 2016, based upon weighted average common shares outstanding of 17,848,199,400 and 16,503,289,787 during the three month periods ending March 31, 2017 and 2016 respectively.

## NINE MONTHS ENDED MARCH 31, 2017 VS. MARCH 31, 2016

### *Continuing Operations*

**General and Administrative Expenses.** General and administrative expenses charged to continuing operations were \$184,308 for the nine months ended March 31, 2017 compared to \$545,554 for the nine months ended March 31, 2016, a decrease of \$361,246. The Company reduced the salaries of the three officers of the Company in the nine months ended March 31, 2017 and laid off full time employees resulting in lower accrued payroll of approximately \$72,000 to executive officers and \$70,541 in cash payments for staff as compared to nine months ended March 31, 2016. The Company also cut \$310,872 of other administrative expenses, primarily for office space and professional fees in the current year from the prior year.

**Other Income and Expense.** Interest expenses charged to continuing operations were \$226,120 in the nine months of Q3 2016 as compared to \$237,756, a decrease of \$11,636 due to larger liability balances. The nine months ended March 2016 included non-cash gains of \$454,566 to continuing operations from reconciliation discrepancies and a change in derivative value. The aforementioned period also included a cash gain of 18,000 from the sale of a vehicle purchased from the Company by Mr. Dotoli, a related party.

**Net loss.** mPhase recorded a net loss of \$412,639 from continuing operations for the nine months ended March 31, 2017, less a \$102,097 loss from discontinued operations, resulting in a net loss of \$514,736 for the current year as compared to a net loss of \$894,354 in the prior relative period, which consisted of a \$748,253 loss from continuing operations and a \$146,101 loss from discontinued operations for the nine month periods ended March 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 17,900,609,173 and 16,197,503,647 during the nine month periods ending March 31, 2017 and March 31, 2016 respectively.

### *Discontinued Operations*

**Revenues.** Total revenues for the three and nine months ended March 31, 2017 decreased to \$20,516 from \$494,398 in March 2016, or \$474,422. The revenue decrease for the current period was derived solely from decreased the sales of the mPower Jump products.

**Cost of sales.** Cost of sales decreased \$318,625 for the nine months ended March 31, 2017 to \$20,471 from \$339,096 in March 2015. 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 nine months ended March 31, 2017 as compared to \$0 for the nine months ended March 31, 2015. Such values are attributable to the wind-down of the Company's efforts to sell its Jump Products.

**Selling and Marketing Expenses.** Selling and marketing expenses were \$11,198 for the nine months ended March 31, 2017 compared to \$126,937 for the nine months ended March 31, 2016, a decrease \$115,739. This 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 \$67,780 for the nine months ended March 31, 2017 compared to \$147,828 for the nine months ended March 31, 2016, a decrease of \$80,048. The Company reduced the salaries of the three officers of the Company in the nine months ended March 31, 2017 and laid off full time employees resulting in lower accrued payroll charged to discontinued operations of approximately \$20,000 to executive officers and \$8,719 in cash payments for staff as compared to nine months ended March 31, 2016. The Company also cut \$38,422 of other administrative expenses, primarily for office space and professional fees in the current year from the prior year.

**Other Income and Expense.** Interest expenses charged to discontinued operations were \$35,626 in March 2017 as compared to \$29,386 due to larger liability balances. During the current March 2017 other income from discontinued operations included \$12,500 from the conditional sale of a patent. During the nine months ended March 2016 a non-cash gain to discontinued operations of \$2,208 was made due to a change in derivative value.

**Net loss from Discontinued Operations.** mPhase recorded net losses from discontinued operations of \$102,097 for the nine months ended March 31, 2017 as compared to a \$146,101 net loss for the nine months ended March 31, 2016. This represents a loss from discontinued operations per common share of \$(0.00) in 2017 as compared to \$(0.00) in 2016, based upon weighted average common shares outstanding of 17,900,609,173 and 16,197,503,647 during the nine month periods ending March 31, 2017 and 2016 respectively.

## 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.



## **MATERIAL RELATED PARTY TRANSACTIONS**

### **MICROPHASE CORPORATION**

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. Microphase provided certain research and development services and shares administrative personnel from time to time. Mr. Necdet 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 listed on the New York Stock exchange.

During the three months ended March 31, 2017 and 2016, \$0 had been charged for rent and \$0 has been charged for other expenses, respectively, to the Company by Microphase. As of March 31, 2017, the Company owed \$32,545 to Microphase.

### **OTHER RELATED PARTIES**

On March 31, 2017, Mr. Biderman a director is affiliated with Palladium Capital Advisors and Eagle Strategic Advisers were owed unpaid finders' fees in the amount of \$184,000, which is included in due to related parties. Also Mr. Biderman loaned the Company \$90,000 in the fourth quarter of the fiscal year ended June 30, 2015 and additionally, he advanced the Company \$20,000 in the fiscal year ended June 30, 2016, net of repayments, together with \$5,486 of accrued interest resulted in \$115,486 outstanding at June 30, 2016. During the nine months ended March 31, 2017 the Company recorded \$5,307 of accrued interest and \$120,793 was outstanding at March 31, 2017.

During the nine months ended March 31, 2017 and 2016, Mr. Biderman's firm charged finders' fees of \$4,000 and \$17,000.

During the nine months ended March 31, 2017 and 2016, the Company recorded \$14,500 and \$50,000 of fees to Karen Durando for product marketing services.

### **Transactions with Officers**

At various points during past fiscal years the Messrs. Durando, Dotoli and Smiley provided bridge loans to the Company evidenced by individual promissory notes and deferred compensation so as to provide working capital to the Company. All of these notes are payable on demand.

During the nine months ended March 31, 2017 and 2016, \$23,681 and \$27,865 have been charged for interest on loans from officers.

At March 31, 2017 the officers' loans together with accrue interest totaled \$613,956. At June 30, 2016 the officers' loans together with accrue interest totaled \$597,331.

## **LIQUIDITY AND CAPITAL RESOURCES**

The Company has incurred cumulative losses of (\$212,196,567) and a working capital deficit of (\$4,750,025) as of March 31, 2017. The auditors' report for the fiscal year ended June 30, 2016 includes the statement that "there is substantial doubt of the Company's ability to continue as a going concern". As of March 31, 2017, the Company had a negative net worth of (\$4,747,805) compared to a negative net worth of (\$4,375,248) as of June 30, 2016 as a result of continuing net losses.

During the nine months ended March 31, 2017, the Company issued 800,000,000 shares of common stock generating gross proceeds of \$40,000 net of and finder's fees of \$4,000 in private placements. During the same nine-month period the officers deferred \$162,000 of salary to the Company to fund limited operating activity.

During the nine months ended March 31, 2016 the Company issued 616,666,667 shares of its common stock in connection with private placements pursuant to Section 4(a) (2) of the Securities Act of 1933, as amended, raising gross proceeds of \$170,000 and incurring finder's fees of \$17,000. The proceeds were used by the Company as working capital.

Additionally, Mr. Biderman 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, 2016, which together with \$5,486 of accrued interest resulted in \$115,486 outstanding at June 30, 2016. During the six months ended December 31, 2016 the Company recorded \$3,537 of accrued interest and \$119,023 was outstanding at December 31, 2016.

While the Company believes that private placements of its common stock to be issued from time to time will fund short term capital needs it will soon need to seek shareholder approval to increase its authorized shares of common stock.

The Company does not expect to derive any material revenue from its nanotechnology product development until after a deployment and custom tailoring of its Smart Nanobattery. This is not expected to occur in the foreseeable future owing to its current financial condition which does not allow further work to complete the product, if possible, when and if the Company can recapitalize.

## **MANAGEMENT'S PLANS AND CURRENT STATUS**



The Company is curtailing its efforts with respect to selling its line of automotive jump starter products owing to increased competition resulting in poor margins as a result of commodity pricing of such products. The Company is seeking alternative products for development but does not foresee a definitive path to revenues to replace the winding down of its line of automotive jump products. The Company has faced significant challenges in funding sufficient inventory of such products to compete successfully with larger competitors selling such product.

The Company is considering strategic alternatives to best monetize its remaining patent portfolio restructuring and revising its debt obligations and Capital structure. The Company and the note holder for arrangement 1, JMJ Financial, had been renegotiating the settlement of such agreement. (See, however "Subsequent Events" describing the disposition of such Notes by JMJ to River North Equity and judicial action denying enforcement of such Notes) At March 31, 2017 we had recorded in Current Liabilities for all three convertible notes and accrued interest thereon previously issued to JMJ Financial was approximately \$1,189,000 including approximately \$802,000 of principle and \$386,940 accrued interest. The Company, subsequent to the River North Equity and judicial action denying enforcement of such Notes, has been negotiating a settlement of approximately \$20,000 of cash payments

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. At March 31, 2017 we had recorded \$792,141 for the value of the forbearance debt obligation, which has been renegotiated down to \$360,000.

The Company's ability to continue as a going concern and its future success is dependent upon its ability to raise capital in the near term to: (1) satisfy its current obligations, (2) continue its research and development efforts, and (3) allow the successful wide scale development, deployment and marketing of its products. There can be no assurance the necessary debt or equity financing will be available, or if so, on terms acceptable to the Company.

### **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

The Company is not exposed to changes in interest rates as the Company has no debt arrangements and no investments in certain held-to-maturity securities. Under our current policies, we do not use interest rate derivative instruments to manage exposure to interest rate changes. A hypothetical 100 basis point adverse move in interest rates along the entire interest rate yield curve would not materially affect the fair value of any financial instruments at September 30, 2016.

### **ITEM 4. CONTROLS AND PROCEDURES**

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

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 quarter ended September 30, 2016, 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 quarter ended September 30, 2016 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## **PART II. OTHER INFORMATION**

### **ITEM 1.LEGAL PROCEEDINGS**

On 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 SEC Release No 7418 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. The Company is considering various options in connection with this matter including its right to appeal this decision to the Federal Circuit Court of the D.C. Circuit.

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 15<sup>th</sup> 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,

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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. On February 16, 2018 the Company and Fife entered into an Amendment modifying the repayment schedule of the Convertible Debenture.

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...

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

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

### **Private Placements**

During the nine months ended March 31, 2017, the Company issued 800,000,000 shares of common stock generating gross proceeds of \$40,000 net of finder's fees of \$4,000 in private placements. Pursuant to Section 4(a) (2) of the Securities Act of 1933, as amended. The proceeds were used by the Company as working capital.

### **Conversion of Debt Securities**

During the nine months ended March 31, 2017, the Company authorized the conversion of \$15,000 of Convertible Debt and Accrued Interest thereon relating to the forbearance agreement into 187,500,000 shares; of the Company's Common stock.

### **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 fiscal year ended June 30, 2016, all three of which were still active as of March 31, 2017.

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

#### **Arrangement #1 (JMJ Financial, Inc.)**

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 December 15, 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 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.

As of March 31, 2017, and as of June 30, 2016, the combined arrangements with JMJ in this note would be convertible into 297,250,000 and 279,995,328 common shares at the conversion floor price of \$.004; and would be required to do so if the Company does not make the scheduled payments pursuant to the June 1, 2012 amended agreement.

The Company has not made any payments of the \$37,018 installment payments commencing October 1, 2012 and the holder has continued to accrue interest on the outstanding balance. At March 31, 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 \$386,940 respectively. 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.

## **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 including an appeal of the Judgment which the Company concluded would have a low probability of success.

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, (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 15<sup>th</sup> 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 Forbearance agreement required the Company to place, and the Company had done so, 1,000,000,000 shares in reserve with its transfer agent, to satisfy the conversion provisions for any unpaid monthly cash payments. The original agreement also provided that the Company file a Proxy statement before June 1, 2015 should additional shares be needed for the conversion reserve. The Company has not filed such a proxy statement due to cost prohibitions. The Company had not issued any stock for conversions since entering into the forbearance agreement and during the year ended June 30, 2015 and has made cash payments repaying \$69,081 of principle and \$41,019 of interest under the agreement. The value of the forbearance debt obligation on June 30, 2015 was \$902,253.

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.

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 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 9,452,720,625 shares of our common stock should the entire obligation be converted.

During the nine months ended March 31, 2017 the Company repaid \$9,460 of principle and \$5,540 of interest under the agreement, with non-cash conversions of 187,500,000 shares of the Company's common stock valued at \$15,000. The value of the forbearance debt obligation on March 31, 2017 was \$792,141, after giving effect to additional accrued interest of \$35,924, resulting in total interest charged under this agreement during this quarter of \$41,464.

As of March 31, 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 9,901,768,500 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. (See also "Subsequent Events").

### **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 March 31, 2017 the note balance was \$3,333 and accrued interest of \$2,223, at 12%, remained due under this agreement. Based upon the price of the Company's common stock on March 31, 2017 this Note is convertible into approximately 92,600,000 shares of common stock.

### **ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

None.

### **ITEM 4. (REMOVED AND RESERVED)**

### **ITEM 5. OTHER INFORMATION**

None.

### **ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K**

**EXHIBITS**

- 31.1 Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes - Oxley Act of 2002.
- 31.2 Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes - Oxley Act of 2002.
- 32.1 Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes - Oxley Act of 2002.
- 32.2 Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes - Oxley Act of 2002.
  
- 101.INS XBRL Instance Document\*
- 101.SCH XBRL Taxonomy Extension Schema Document\*
- 101.CAL XBRL Taxonomy Extension Calculation Linkbase Document\*
- 101.DEF XBRL Taxonomy Extension Definition Linkbase Document\*
- 101.LAB XBRL Taxonomy Extension Label Linkbase Document\*
- 101.PRE XBRL Taxonomy Extension Presentation Linkbase Document\*

\* filed herewith.

**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 8, 2018 By: /s/ Martin S. Smiley  
Martin S. Smiley  
EVP, CFO and General Counsel