MPHASE TECHNOLOGIES INC
Form S-1/A
August 15, 2007

As filed with the Securities and Exchange Commission on August 15, 2007

Registration No. 333-144527

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

AMENDMENT NO. 3 TO

FORM S-1

REGISTRATION STATEMENT
UNDER THE SECURITIES ACT OF 1933

mPHASE TECHNOLOGIES, INC.
(Exact name of registrant as specified in its charter)

New Jersey	**7385**	**22-2287503**
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

587 Connecticut Avenue
Norwalk, Connecticut 06854-1711
Telephone: (203) 831-2242
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Martin S. Smiley
Chief Financial Officer

mPHASE TECHNOLOGIES, INC.

587 Connecticut Avenue
Norwalk, Connecticut 06854-1711
Telephone: (203) 831-2242
Telecopy: (203) 853-3304
(Name, address, including zip code, and telephone number, including area code, of agent for service)

Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this Registration Statement.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box.

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

1

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box.

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	Amount to be Registered	Proposed maximum offering price per share(1)	Proposed maximum aggregate offering price(1)	Amount of Registration fee
Common Stock,$.01 par value	185,914,911	**$ .095**	17,661,916	$ 542.23
Common Stock $.01 par value issuable upon exercise of warrants	33,010,306	**$ .095**	$ 3,135,979	$ 96.27
Common Stock $.01 par value issuable upon exercise of options	42,535,500	**$ .095**	$ 4,040,872	$ 124.05
			Total	$ 762.55

(1) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(c) under the Securities Act of 1933, as amended, on the basis of the average of the bid and ask prices per share of our common stock, as reported on the OTC Bulletin Board, on June 29, 2007.

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(A) OF THE SECURITIES ACT OF 1933, AS AMENDED, OR UNTIL THIS REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SUCH SECTION 8(A), MAY DETERMINE.

August 15, 2007

PROSPECTUS

mPHASE TECHNOLOGIES, INC.

Shares of Common Stock

This prospectus relates to the resale of up to 261,460,717 shares of common stock, of which 185,914,911 shares are issued and outstanding, and up to 75,545,806 shares that may be issued upon the exercise of warrants and options held by the selling stockholders. The selling stockholders listed on pages 51-56 may sell the shares from time to time.

Our common stock is listed on the Over-the-Counter Bulletin Board under the symbol XDSL.OB The last reported sales price of our common stock on June 29, 2007 was $.095 per share.

THESE SECURITIES ARE SPECULATIVE AND INVOLVE A HIGH DEGREE OF RISK. PLEASE REFER TO RISK FACTORS BEGINNING ON PAGE 10.

Our principal executive offices are located at 587 Connecticut Avenue, Norwalk, Connecticut 06854-1711. Our phone number is (203) 838-2741.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY OTHER REGULATORY BODY HAS APPROVED OR DISAPPROVED ANY OF THESE SECURITIES OR PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The date of this prospectus is August 15, 2007.

TABLE OF CONTENTS

YOU SHOULD RELY ONLY ON THE INFORMATION CONTAINED IN THIS DOCUMENT OR THOSE DOCUMENTS TO WHICH WE HAVE REFERRED YOU. WE HAVE NOT AUTHORIZED ANYONE TO PROVIDE YOU WITH INFORMATION THAT IS DIFFERENT. THIS DOCUMENT MAY ONLY BE USED WHERE IT IS LEGAL TO SELL THESE SECURITIES.

THE DELIVERY OF THIS PROSPECTUS OR ANY ACCOMPANYING SALE DOES NOT IMPLY THAT: (1) THERE HAVE BEEN NO CHANGES IN OUR AFFAIRS AFTER THE DATE OF THIS PROSPECTUS; OR (2) THE INFORMATION CONTAINED IN THIS PROSPECTUS IS CORRECT AFTER THE DATE OF THIS PROSPECTUS.

PROSPECTUS SUMMARY

You should read this Prospectus Summary together with the more detailed information contained in this prospectus, including the risk factors and financial statements and the notes to the financial statements. This prospectus contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those discussed in the forward-looking statements. Factors that might cause such a difference include those discussed in the Risk Factors section and elsewhere in this prospectus.

From inception (October 2, 1996), through March 31, 2007 the Company had incurred (unaudited) development stage losses of $162,520,429 and a stockholders' deficit of approximately $2,634,400. Cumulatively, through June 30, 2006 and March 31, 2007, (unaudited) the Company had negative cash flows from operations of approximately $67,257,660 and $73,398,128 respectively. The auditors report for the fiscal year ended June 30, 2006 is qualified as to the Company's ability to continue as a going concern. Management estimates the Company either directly or through its newly formed operating subsidiaries (see page 5) needs to raise between $5 million and $10 million during the next 12 months to sustain its current level of operations.

mPHASE TECHNOLOGIES, INC.

mPhase Technologies, Inc. (mPhase, the Company, we or us), a New Jersey corporation, founded in 1996 is a publicly-held company with approximately 17 thousand shareholders and approximately 388,000,000 million shares of common stock outstanding as of June 29, 2007. The Company's common stock is traded on the NASDAQ Over the Counter Bulletin Board under the ticker symbol XDSL. We are headquartered in Norwalk, Connecticut with offices in Little Falls, New Jersey and New York, N.Y. mPhase shares common office space and common management with Microphase Corporation, a privately-held company. Microphase sells radio frequency and filtering technologies to the defense and telecommunications industry. Microphase has been in operation for over 50 years and supports mPhase with engineering, administrative and financial resources, as needed.

mPhase is a developer and seller of broadband communications products for telephone service providers. The Company's TV+ solution is the middleware/software necessary for the delivery by telephone service providers of broadcast quality television, video on demand, high speed internet and voice utilizing internet protocol (IPTV). mPhase believes that its IPTV solution is the most cost-effective, standards based, scalable solution with carrier class quality and security available for telecommunications service providers around the world. mPhase believes that telecommunication service providers will find the cost-effective, scalable architecture of the TV+ middleware will result in significant cost savings in the number of servers and routers necessary to deploy IPTV to its customers on a significant scale. This is especially true for telephone service providers outside of the United States that face substantial hardware costs to upgrade their existing backbone and infrastructure necessary for the delivery of broadcast television. Since such hardware costs constitute up to 95% of the capital expenditures in deploying IPTV, the savings are often a key financial ingredient enabling a telecommunications service provider to deploy IPTV. Thus the Company believes its software can be a compelling solution for such deployments. The deployment of a full range of converged broadband services is critical for many telecommunications service providers to retain traditional telephone customers by offering a full package of services. Our TV+ solution enables a telephone service provider to provided a triple play of voice, broadcast television and high speed internet over any existing infrastructure including copper, fiber or coax. Our current release of the TV+ solution is a culmination of years of development of a world-class television delivery solution for telecommunication service providers.

Our TV+ solution is currently part of a test deployment of IPTV by Comstar/Odessa, a major telecommunications service provider in the Ukraine. The Company faces significant technical and financial challenges in order to achieve the successful completion of acceptance testing criteria. However, upon the TV+ solution successfully meeting the technical and features criteria of the acceptance test Comstar/Odessa has indicated that it will commence deployment of IPTV to 6,000 customers. Such a deployment would, constitute the first major deployment of its TV+solution and could constitute a significant breakthrough for additional deployments of its IPTV solution in the Ukraine and Russia.

The Company has also recently established a significant reseller relationship with Net Dialogue, a major integrator and reseller of telecommunications products and services for several large telephone service providers in Russia.

Since our inception in 1996 we have been a development-stage company. During the past three years, mPhase has transformed itself from a developer of closed end proprietary technology for the delivery of broadcast television over DSL to a Company that has developed a carrier class middleware/software solution for the delivery of IPTV. mPhase's IPTV solution is designed for operation with any transport mechanism using IP protocol including multicast routers, digital subscriber line access multiplexers and set top boxes of all major vendors.

In February of 2004, the Company entered into the field of nanotechnology research and development of micro power cell batteries of various voltages. The purpose of this initiative is consistent with the Company's strategy of establishing a product portfolio of cutting edge, innovative high technology products for new and emerging areas of high growth. The initial goal is to develop batteries for military applications having significantly longer shelf life prior to activation. The batteries would have instant on capabilities due to their extremely small internal size, and power management capabilities to significantly extend their duty cycle periods than are currently available in the market. The Company believes that such development is consistent with its strategy of being a pioneer in areas of high growth technology and potentially diversifies its mix of products. In March of 2005, the Company announced that it had expanded its nanotechnology research and efforts to develop extremely sensitive uncooled magnetic sensors, commonly known as a magnetometer, as a new product line.

On April 17, 2007, the Company announced that it had formed AlwaysReady, Inc., a New Jersey Corporation, as a new wholly-owned subsidiary. The Company plans to transfer all of its nanotechnology assets and appropriate liabilities to such company as a first step in the separation of its nanotechnology product line from its IPTV product. The Company plans to staff AlwaysReady, Inc with a new management team experienced in the nanotechnology area in order to unlock and maximize overall shareholder value. On May 29, 2007, AlwaysReady, Inc announced the hiring of Source Capital Group, an investment banking firm specializing in the raising of private equity, to raise a minimum of $1.5 million in a Private Placement in which the Company would sell up to a 10% interest in AlwaysReady, Inc to institutional and accredited investors. In addition the Company announced that it planned to eventually transform AlwaysReady, Inc. into a publicly traded company. mPhase plans to retain a 90% interest in Always Ready, Inc. and the shares of common stock of Always Ready, Inc. will be registered on appropriate filings with the SEC under the Securities Act of 1933, as amended, as well as the Securities Exchange Act of 1934, as amended, and listed for trading on the over the counter bulletin board.

On June 20, 2007, the Company announced that it is forming a new subsidiary, Granita Media, Inc (Granita), a Delaware corporation, that will provide targeted advertising to users of the TV+ middleware solution. Through the use of specific viewer demographics such as age, gender and defined consumer preferences, the Company believes that a new form of broadcast television advertising could develop that is more powerful and focused than is currently being used by broadcasters. It is believed that targeted advertising software to be developed by Granita will enhance mPhase's middleware by offering a source of additional revenues for a telephone service provider deploying IPTV. mPhase plans to fund the new company initially through up to $500,000 of equity to be provided by employees and additional outside institutional financing which will involve the sale of up to 10% of the common stock of Granita with mPhase retaining 90% of the stock of Granita.

THE OFFERING

Common stock offered: Up to 261,460,717 shares of common stock, of which 185,914,911 shares are issued and outstanding and up to 75,545,806 shares may be issued upon exercise of warrants and options held by the selling stockholders.

Common Stock to be outstanding after this offering: Approximately 391 million shares of common stock. This does not include an aggregate of approximately 209 million shares that are reserved for issuance pursuant to outstanding employee stock options, non-employee stock options and warrants.

Use of proceeds: We will not receive any proceeds from the sale and issuance of the common stock included in this offering. However, we will receive approximately $47 million upon the exercise of all of the warrants and options by the selling stockholders.

Risk Factors: An investment in our common stock is subject to significant risks. You should carefully consider the information set forth in the Risk Factors section of this prospectus as well as other information set forth in this prospectus, including our financial statements and related notes.

Dividend policy: We do not expect to pay dividends on our common stock in the foreseeable future. We anticipate that all future earnings, if any, generated from operations will be retained to develop and expand our business.

Plan of Distribution: The shares of common stock (OTC Bulletin Board symbol: XDSL.OB) offered for resale may be sold by the selling stockholders pursuant to this prospectus in the manner described under Plan of Distribution.

We have applied for trademarks on certain marks which relate to our products. This prospectus also contains product names, trade names and trademarks of ours as well as those of other organizations. All other brand names and trademarks appearing in this prospectus are the property of their respective holders.

FORWARD-LOOKING STATEMENTS

In addition to the other information contained in this prospectus, investors should carefully consider the risk factors disclosed in this prospectus in evaluating an investment in our common stock. This prospectus includes forward-looking statements . All statements other than statements of historical fact are forward-looking statements for purposes of these provisions, including any projections of earnings, revenues or other financial items, any statements of the plans and objectives of management for future operations, any statements concerning proposed new products or services, any statements regarding future economic conditions or performance, and any statement of assumptions underlying any of the foregoing. In some cases, forward-looking statements can be identified by the use of terminology such as may , will , expects , plans , anticipates , estimates , potential , or continue or the neg other comparable terminology.

Although we believe that the expectations reflected in the forward-looking statements contained herein and in such incorporated documents are reasonable, there can be no assurance that such expectations or any of the forward-looking statements will prove to be correct, and actual results could differ materially from those projected or assumed in the forward-looking statements. Our future financial condition and results of operations, as well as any forward-looking statements, are subject to inherent risks and uncertainties, including but not limited to the risk factors set forth above and for the reasons described elsewhere in this prospectus. All forward-looking statements and reasons why results may differ included in this prospectus are made as of the date hereof, and we assume no obligation to update any such forward-looking statement or reason why actual results might differ.

SUMMARY FINANCIAL DATA

The selected financial data set forth below is derived from and should be read in conjunction with historical financial statements and notes included in this prospectus. Financial information for the years ended June 30, 1999, 2000 and 2001, are derived from financial statements that have been audited by Arthur Andersen LLP. Financial information relating to years ended June 30, 2002, 2003 and 2004, 2005 and 2006 are derived from financial statements that have been audited by Rosenberg, Rich, Baker, Berman & Company, independent auditors, and are included in this prospectus. Quarterly information and balances as of March 31, 2007 includes all adjustments and material disclosures that management considers necessary for a fair presentation. Such information has not been audited are not necessarily indicative of the operating results to be expected in the future.

SUMMARY OPERATING DATA
Year Ended June 30,
(in thousands except per share data)

	2002	2003	2004	2005	2006	Cumulative from inception October 2, 1996 to June 30, 2006
Total revenues	$2,582	$1,582	$4,641	$1,711	$975	$22,296
Cost of sales	2,415	1,493	4,068	1,446	974	16,335
Research and development	3,820	3,538	4,070	5,127	8,035	51,579
General and administrative	7,039	2,684	4,178	6,580	11,121	96,756
Depreciation and amortization	670	515	123	63	79	3,031
Operating loss	(11,361)	(6,649)	(7,798)	(11,505)	(19,234)	(145,405)
Other income (expense), net	142	50	150	382	(5,182)	(5,905)
Interest income (expense)	(26)	(51)	(111)	(111)	(35)	(150)
Net loss	($11,245)	($6,650)	($7,759)	($11,234)	($24,451)	($151,460)
Basic and diluted net loss per share	($.23)	($.10)	($.10)	($.10)	($.12)	
Shares used in basic and diluted net loss per share	49,617,280	65,217,088	77,677,120	108,657,578	199,610,372	

BALANCE SHEET DATA
As of June 30
(in thousands)

	2002	2003	2004	2005	2006	March 31, 2007
Cash and cash equivalents	$47	$397	$90	$351	$1,360	$315
Working capital (deficit)	(94)	(1,405)	(2,112)	(1,674)	(1,093)	(3,011)
Total assets	6,942	3,782	2,591	2,232	2,182	1,666
Long-term obligations, net of current portion	2,891	2,608	1,038	315	0	0
Total stockholders' (deficit)	$ (42)	$ (3,229)	$ (2,918)	$ (1,618)	$ (606)	$(2,634)

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

	Nine Months Ended March 31, 2006	2007	(Date of Inception) to March 31, 2007
REVENUES	$832,999	$135,743	$22,431,350
COSTS AND EXPENSES			
Cost of Sales	729,475	88,207	16,422,148
Research and Development (including non-cash stock related charges of $200,850, $0 and $2,318,519, for 2006, 2007 and inception to date respectively)	6,120,253	4,964,404	56,543,605
General and Administrative (including non-cash stock related charges of, $4,510,350, $1,124,647 and $58,319,301 for 2006, 2007 and inception to date respectively)	8,002,079	5,012,073	101,768,166
Depreciation and Amortization	57,644	66,314	3,097,316
TOTAL COSTS AND EXPENSES	$14,909,451	$10,130,998	$177,831,235
LOSS FROM OPERATIONS	($14,076,452)	($9,995,255)	($155,399,885)
OTHER INCOME			
Interest Income (Expense), net	(25,498)	(10,930)	(161,071)
Other Income (Expense) net	(4,902,302)	(1,054,187)	(6,959,473)
TOTAL OTHER INCOME (EXPENSE)	($4,927,800)	($1,065,117)	($7,120,544)
NET LOSS	($19,004,252)	($11,060,372)	($162,520,429)
LOSS PER COMMON SHARE, basic and diluted	($0.09)	($0.04)	
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING, basic and diluted	211,186,500	309,018,261	

RISK FACTORS

An investment in the common stock offered by this prospectus involves a high degree of risk. In addition to the other information in this prospectus and any supplements to this prospectus, you should carefully consider the following risks before making an investment decision.

CAUTIONARY STATEMENT

In addition to the Risk Factors set forth below it is important for you to consider the following:

mPhase was advised in April 2002 that following an investigation by the staff of the Securities and Exchange Commission, the staff intended to recommend that the Commission file a civil injunctive action against Packetport.com, Inc. (Packetport) and its Officer's and Directors. Such recommendation related to alleged civil violations by Packetport and such Officers and Directors of various sections of the Federal Securities Laws. The staff has alleged civil violations of Sections 5 and 17(a) of the Securities Act of 1933 and Sections 10(b) and 13(d) of the Securities Exchanges Act of 1934. As noted in other public filings of mPhase, the Chief Executive Officer and Chief Operating Officer of mPhase also serve as Directors and Officers of Packetport. At that time these persons advised mPhase that they deny any violation of law on their part and intend to vigorously contest such recommendation or action, if any.

On November 15, 2005, the Commission filed a civil enforcement action against 6 individuals and 4 companies as a result of its investigation in federal district court in the State of Connecticut alleging various violations of the Securities Act of 1933 including Sections 5, Section 17(a) and the Securities Exchange Act of 1934 including Sections 10b, Rule 10b-5, Sections, 12,Section 13, Section 16 in connection with the purchase and sale of stock of Packetport in the period on or about December 14, 1999 into February of 2000. The defendants include the Chief Executive Officer and Chief Operating Officer of mPase as well as Microphase Corporation, a privately held Connecticut corporation that shares common management with mPhase. mPhase Technologies, Inc. is not named as a party in the enforcement action. The Chief Executive Officer and Chief Operating Officer of mPhase, and Microphase Corporation, each deny any violation of the law by each or any of them and intend to vigorously contest all charges set forth in such enforcement action by the Commission.

The Commission alleges that Mr. Durando and Mr. Dotoli and others were part of a fraudulent scheme to, through the use of misleading publicity to inflate the price of the stock of Packeport.com, Inc. , as well as failing to make disclosures and selling shares of stock of Packeport.com, Inc through nominees. Complete details of the allegations are summarized in SEC Litigation Release No. 19465 dated November 16, 2005.

Messrs. Durando, Dotoli and Microphase as well as certain Affiliates of each are listed as Selling Shareholders on the Selling Shareholders list contained in this prospectus. Such persons and entities are registering for sale the following:

1.

Mr. Durando: 14,597,017 Shares of Common Stock
Options convertible into 15,375,000 Shares of Common Stock
Warrants convertible into 581,667 Shares of Common Stock

2.

Affiliates of Mr. Durando include the following:
Durando Investments LLC: 420,000 Shares of Common Stock
Janifast Ltd. 8,227,778 Shares of Common Stock
Warrants convertible into 1,950,000 Shares of Common Stock

3. Mr. Dotoli: 6,793,033 Shares of Common Stock
Options convertible into 7,650,000 Shares of Common Stock

Warrants convertible into 1,138,067 Shares of Common Stock

4. Affiliates of Mr. Dotoli include the following:
None

5.

Microphase Corporation: 16,060,019 Shares of Common Stock
Warrants convertible into 6,522,222

6.

Affiliates include Mr. Necdet F. Ergul
(Chairman of the Board of the Company): 2,850,000 Shares of Common Stock
Options convertible into 2,748,750
Shares of Common Stock

7. Packeport.com Inc does not own any securities of the Company

Mr. Durando , Mr. Dotoli and Mr. Edward Suozzo, as Directors of Packetport.com, Inc.are Affililiates :

Mr. Suozzo is listed as a Selling shareholder for:

150,000 Shares of Common Stock
Options convertible into 350,000 Shares of Common Stock
Warrants convertible into 277,778

Schulater, Coughlin & Suozzo (Affiliate of Mr. Suozzo):

75,000 Shares of Common Stock
Options convertible into 345,000 Shares of Common Stock

In a ruling (3:05 CV 1747 (PCD)), dated March 21, 2007, the Honorable Peter C. Dorsey, Senior U.S. District Court Judge for the United States District Court For The District Of Connecticut, granted a motion by defendants, Ronald A. Durando and Packetport Inc. joined by defendants Gustave T. Dotoli , Microphase Corporation and Packetport.com, Inc. to dismiss under Federal Rule 41(b) of the Federal Rules of Civil Procedure the civil lawsuit filed on November 15, 2005 by the Securities and Exchange Commission against Packetport.com, Inc. et. al for lack of prosecution.

On April 4, 2007, the Securities and Exchange Commission filed a motion with the United States District Court requesting a reconsideration of the motion to dismiss granted by the Court in favor of the defendants.

In a ruling dated May 23, 2007, the Judge Peter C. Dorsey granted the motion for reconsideration filed by the Securities and Exchange Commission and reversed his earlier ruling of March 21, 2007 and reinstated the case on the judicial calendar to proceed to trial.

Risks Related to Financial Aspects of Our Business

The Company engages in the new and emerging business of developing products using the science of Nanotechnology which entails significant exploratory development and commercial risk.

The Company has expended over $3.6 million from February of 2004 through the date hereof pursuant to 12 month contracts with the Bell Labs division of Lucent Technologies, Inc. during such period to develop longer life battery cells for military applications as well as commercial applications such as RFID (Radio Fequency Identification) tags.

The Company expects to continue exploratory research with Lucent Technologies, Inc. and is currently in negotiations for an extension of such contract for an additional 12 months at the rate of $100,000 per month . Even though a feasibility prototype product has been successfully developed, pure research involves a high degree of risk with significant uncertainty as to whether a commercially viable product will result

From March 10, 2005 through the date hereof, the Company has spent over $2.4 million with the Bell Labs division of Lucent Technologies, Inc for new research and development of uncooled magnetic ultra sensors using the science of Nanotechnology. The Company is currently negotiating to extend its Development Agreement with Bell Labs for the Magnetometer research for another 12 months through June of 2008 at $100,000 per month each. The Company does not expect significant revenues from either product for at least 2 years.

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

The market price of our common stock closed at $7.88 on July 26, 2000 and closed at $.095 on June 29, 2007. During such period the number of shares outstanding of the Company increased from approximately 30 million shares to 388 million shares. Such increase was the result of periodic private placements by the Company in order to finance company operations. Stocks in telecommunications equipment providers of DSL products have been very volatile during such period. Our common stock is a highly speculative investment and is suitable only for such investors with financial resources that enable them to sustain the loss of their entire investment in such stock. Because the price of our common stock is less than $5.00 per share and is not traded on the NASDAQ National or NASDAQ Small Cap exchanges, it is considered to be a penny stock limiting the type of customers that broker/dealers can sell to. Such customers consist only of established customers and Accredited Investors (within the meaning of Rule 501 of Regulation D of the Securities Act of 1933, as amended-generally individuals and entities of substantial net worth) thereby limiting the liquidity of our common stock.

We have reported net losses for each of our fiscal years from our inception in 1996 and for the nine months (unaudited) ended March 31, 2007 respectively and may not be able to operate profitability in the future.

We have had substantial losses since our inception in 1996 (including $24,450,650 and $11,234,324 for the fiscal years ended June 30, 2006 and June 30, 2005, respectively and (unaudited) $11,060,372 and $19,004,252 for the nine month period ending March 31, 2007 and March 31, 2006 respectively) and cannot be certain when or if we will ever be profitable. We expect to continue to have net losses for the foreseeable future and have a need to raise not less than $5-10 million in additional cash in the next 12 months through further offerings to continue operations. We have never been profitable from our inception in October, 1996 through March 31, 2007 (unaudited) and we have incurred (a) accumulated losses of $162,520,429 and a stockholder's deficit of $2,634,400 and (b) cumulative negative operating cash flow of $73,398,128 and negative working capital of $3,011,440.

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

The reports of the Company's outside auditors' Rosenberg, Rich, Baker, Berman & Company with respect to its latest audited 10K for the fiscal years ended June 30, 2006, 2005, 2004, June 30, 2003 and June 30, 2002 stated that there is substantial doubt of the Company's ability to continue as a going concern. Such opinion from our outside auditors makes it significantly more difficult and expensive for the Company to raise additional capital necessary to continue our operations.

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

As of June 29, 2007, we have warrants, options outstanding convertible into approximately 215 million total shares of mPhase common stock which, upon conversion, may adversely affect the future price of our common stock. As of June 29, 2007 we have warrants and options convertible into approximately 112 million shares of our common stock at $.20 per share or less that, upon exercise, will result in significant dilution to many of our current shareholders and may adversely affect the future price of our common stock. We may be forced to raise additional cash for operations by selling additional shares of our common stock at depressed prices causing further dilution to our shareholders.

Risks Related to Our Operations

We have been a development-stage company since our inception in 1996 and have not to date had a significant or successful deployment of any of our solutions for the delivery of broadcast television, high-speed internet and voice by a major telephone service provider.

We have had to date no material revenues derived from sales of our TV+ solution. There has been to date only one sale of our IPTV solution for 1000 customers of a telecommunications service provider in Russia which has discontinued deployment of our TV+ solution. In addition a lab test trial by a major telecommunications service provider in the Ukraine currently faces significant financial and technical challenges in order to pass a technical acceptance test that requires many product features currently still in development by the Company. There are no other deployments of our TV+ Solution by telephone service providers globally and there currently is uncertainty as to the extent, if at all, that deployments of IPTV will occur in the future.

We depend upon outsourcing of our research and product development of our Nanotechnology products to the Bell Labs division of Lucent Technologies Inc.

We depend upon Lucent Technologies Inc. for the successful development of our Nanotechnology products and our business would be materially adversely affected if Lucent Technologies Inc. were to terminate our relationship or fail to renew our Development Agreement for the Magnetometer that is currently being negotiated.

The loss of key personnel could adversely affect our business.

Management and employment contracts with all of our officers have expired and no assurances can be given that such executives will remain with the Company or that the Company will be able to successfully enter into agreements with such key executives. All of our officers and other key employees have been granted stock options that are intended to represent a key component of their compensation. Such options may not provide the intended incentives to such persons if our stock price declines or experiences significant volatility.

Risks Related to Our Targeted Markets

Economic support from affiliated companies has been significant.

During the downturn in the telecommunications industry beginning in 2001, both Microphase Corporation, and Janifast Ltd. provided significant financial support to mPhase in the form of either cash infusions or conversions of related party debt. Such companies, which share common management with mPhase, are under no legal obligation to and may not be able to sustain such economic support of mPhase in the future should such support be necessary.

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

We have recently filed a provisional patent with respect to our TV+ solution in order to protect our product, however a final patent has not yet been applied for or granted. Even if a patent is ultimately granted ,the telecommunications industry, in general, is characterized by a large number of patents and frequent patent litigation based upon claims of patent infringement when compared to other industries.

Historically the sale of infrastructure products to telecommunication providers in the international markets has a long lead-time and a multiplicity of risks.

We expect initially that revenues from our TV+ solution to be derived from international emerging markets and our success depends upon our ability to sell our flagship television platform outside of the United States where political, currency and regulatory risks are significantly greater. As a result of their distance from the United States, different time zones, culture, management and language differences, these operations pose greater risk than selling in the United States. Our sales cycle for our TV + solution is lengthy (since it involves a major strategic decision by an international telecommunications service provider) and we may incur significant marketing expenses with no guarantee of future sales. A significant market for our legacy Traverser DVDDS never developed and may never develop for our TV +solution if international telephone service providers fail to successfully deploy broadband services including high speed data and television. Increased consolidation of telephone service providers worldwide have significantly limited the current recovery of capital expenditures for broadband and other deployment from the economic downturn that began in 2001in the industry. Future market demand that will cause telephone service providers to aggressively roll out IPTV, in general, is highly unpredictable especially in markets outside of the United States. Certain telephone companies (especially in developing international economies) may have infrastructure that is not of sufficient quality to accommodate the mPhaseTV+ solution. Changes in foreign taxes and import duties and economic and political instability in international markets pose a greater risk to our operations than U.S. markets.

Our television platform may not achieve compliance with regulatory requirements in foreign countries.

Our mPhaseTV+ solution may fail to meet foreign regulatory standards. Since initially we are targeting markets for our television platform involves countries outside of the United States, such product is subject to greater regulatory risks since it must comply with different standards of different countries than can vary widely in the telecommunications industry. The failure to meet such regulatory standards would result in potential customers in countries outside of the United States not deploying of our TV+ solution.

The telecommunications industry is subject to intense competition characterized by swift changes in technology.

The telecommunications equipment industry is subject to swift and continuing innovation and technological changes that could render our TV+ solution obsolete and intense competition in the industry could prevent our ever becoming profitable. Our competitors that sell IPTV solutions that compete with and mPhase TV+ middleware include much larger and better known and capitalized companies with significantly greater selling and marketing experience and financial resources. Such competitors include for middleware a joint venture between Microsoft and Alcatel, as well as Minverva, Orca Interactive, Siemens, VBrick Systems and Video Furnance. End to end solutions competitors for IPTV include UTStarcom, mxWare and Industrial. Telephone service providers that are our targeted customers face competition from cable-based technologies, fixed wireless technologies and satellite technologies that may cause them not to deploy our TV+ product.

Deployment of our television platform requires significant additional investments by telecommunications service providers.

Our Customers may need to build a digital head-end to download television content from satellites involving a significant additional capital expenditure to utilize the digital Television capabilities of our TV+ solution. For customers desiring feature rich solutions such as video on demand, the installation of additional routers and servers may be required to upgrade the internet backbone capabilities of such customer. Such additional capital costs may cause a number of potential customers not to deploy our TV+ solution.

Risk Factors Related to Our Targeted Markets

We may not be able to evolve our technology, products and services or develop new technology, products and services that are acceptable to our customers.

The market for our IPTV middleware is characterized by:
Rapid technology change;
New and improved product introductions;
Changing customer demands; and
Evolving industry standards and product obsolescence.

Our future success will depend upon our ability to continually enhance our IPTV solution to deliver feature rich, open standards, carrier class television on the most scaleable cost efficient platform custom tailored to the rigorous and varied demands of telecommunications service providers. The development of enhanced and new technology, products and services is a complex and uncertain process requiring high levels of innovation, highly-skilled engineering and development personnel, and the accurate anticipation of technological and market trends. We may not be able to identify, develop, market or support new or enhanced technology, products, or services on a timely basis, if at all owing to our size and limited financial resources.

Telecommunications service providers outside of the United States must be able to access sources for broadcast television content in order to deploy our TV+ Solution.

In order to have an incentive to deploy the IPTV solution, an international telecommunications service provider must have access, to multiple channels of Television programming from content providers at prices that enable such provider to earn a profit from the deployment of television programming. In certain of our key target markets, such as Brazil, only cable companies are permitted under current law to provide such content and therefore a local service provider must establish a working relationship with such a cable provider to have an incentive to utilize our products.

USE OF PROCEEDS

The selling stockholders will receive the proceeds from the resale of the shares of common stock. We will not receive any proceeds from the resale of the shares of common stock by the selling stockholders. However, we will receive approximately $47 million if all of the warrants and options are converted to purchase shares of common stock registered under this prospectus which would be used for general working capital.

PRICE RANGE OF COMMON STOCK

The primary market for our common stock is the OTC Bulletin Board, where it trades under the symbol XDSL.OB . The following table sets forth the high and low closing bid prices for the shares for the periods indicated as provided by the National Quotation Bureau, Inc. The quotations shown reflect inter-dealer prices, without retail mark-up, mark-down, or commission and may not represent actual transactions.

Year/Quarter	High	Low
Fiscal year ended June 30, 1999		
First Quarter	$4.25	$0.75
Second Quarter	3.65	1.56
Third Quarter	5.63	1.88
Fourth Quarter	8.75	2.91
Fiscal year ended June 30, 2000		
First Quarter	$9.25	$2.96
Second Quarter	6.18	2.50
Third Quarter	19.12	6.50
Fourth Quarter	14.12	6.00
Fiscal year ended June 30, 2001		
First Quarter	$9.25	$3.00
Second Quarter	5.93	1.46
Third Quarter	3.38	1.22
Fourth Quarter	2.61	1.03
Fiscal year ended June 30, 2002		
First Quarter	$1.67	$.31
Second Quarter	.86	.31
Third Quarter	.62	.27
Fourth Quarter	.50	.23
Fiscal year ended June 30, 2003		
First Quarter	$.32	$.15
Second Quarter	.31	.15
Third Quarter	.36	.19
Fourth Quarter	.42	.28
Fiscal Year ended June 30, 2004		
First Quarter	$.42	$.29
Second Quarter	$.61	$.26
Third Quarter	$.69	$.41
Fourth Quarter	$.46	$.29
Fiscal Year ended June 30, 2005		
First Quarter	$.31	$.21
Second Quarter	$.35	$.23
Third Quarter	$.59	$.30
Fourth Quarter	$.41	$.24
Fiscal Year ended June 30, 2006		

First Quarter	**$.28**	**$.22**
Second Quarter	**$.30**	**$.16**
Third Quarter	**$.42**	**$.21**
Fourth Quarter	**$.32**	**$.19**
Fiscal Year ended June 30, 2007		
First Quarter	**$.21**	**$.16**
Second Quarter	**$.20**	**$.15**
Third Quarter	**$.24**	**$.15**

As of June 29, 2007 (unaudited), we had approximately 388 million shares of common stock outstanding and approximately 17 thousand stockholders. The last reported sales price of our common stock on June 29, 2007 was $.095 per share.

DIVIDEND POLICY

We have never declared or paid any cash dividends on our common stock and do not anticipate paying any cash dividends in the foreseeable future. We currently intend to retain future earnings, if any, to finance operations and expand our business. Any future determination to pay cash dividends will be at the discretion of the board of directors and will be based upon our financial condition, operating results, capital requirements, plans for expansion, restrictions imposed by any financing arrangements and any other factors that the board of directors deems are relevant.

SELECTED FINANCIAL DATA

The selected financial data set forth below is derived from and should be read in conjunction with historical financial statements and notes included in this prospectus. Financial information for the years ended June 30, 1999, 2000 and 2001, are derived from financial statements that have been audited by Arthur Andersen LLP. Financial information relating to years ended June 30, 2002, 2003 and 2004, 2005 and 2006 are derived from financial statements that have been audited by Rosenberg, Rich, Baker, Berman & Company, independent auditors, and are included in this prospectus. Quarterly information includes all adjustments and material disclosures that management considers necessary for a fair presentation. Such information has not been audited are not necessarily indicative of the operating results to be expected in the future.

SELECTED OPERATING DATA
Year Ended June 30,
(in thousands except per share data)

	2002	2003	2004	2005	2006	Cumulative from inception October 2, 1996 to June 30, 2006
Total revenues:	$2,582	$1,582	$4,641	$1,711	$975	$22,296
Cost of sales	2,415	1,493	4,068	1,446	974	16,335
Research and development	3,820	3,538	4,070	5,127	8,035	51,579
General and administrative	7,039	2,684	4,178	6,580	11,121	96,756
Depreciation and amortization	670	515	123	63	79	3,031
Operating loss	(11,361)	(6,649)	(7,798)	(11,505)	(19,234)	(145,405)
Other income (expense), net	142	50	150	382	(5,182)	(5,905)
Interest income (expense)	(26)	(51)	(111)	(111)	(35)	(150)
Net loss	($11,245)	($6,650)	($7,759)	($11,234)	($24,451)	($151,460)
Basic and diluted net loss per share	($0.23)	($0.10)	($0.10)	($0.10)	($0.12)	
Shares used in basic and diluted net loss per share	49,617,280	65,217,088	77,677,120	108,657,578	199,610,372	

- Does not include any common stock equivalents since their effect would be anti-dilutive.

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

	Nine Months Ended March 31, 2006	Nine Months Ended March 31, 2007	(Date of Inception) to March 31, 2007
REVENUES	$832,999	$135,743	$22,431,350
COSTS AND EXPENSES			
Cost of Sales	729,475	88,207	16,422,148
Research and Development (including non-cash stock related charges of $200,850, $0 and $2,318,519, for 2006, 2007 and inception to date respectively)	6,120,253	4,964,404	56,543,605
General and Administrative (including non-cash stock related charges of, $4,510,350, $1,124,647 and $58,319,301 for 2006, 2007 and inception to date respectively)	8,002,079	5,012,073	101,768,166
Depreciation and Amortization	57,644	66,314	3,097,316
TOTAL COSTS AND EXPENSES	$14,909,451	$10,130,998	$177,831,235
LOSS FROM OPERATIONS	($14,076,452)	($9,995,255)	($155,399,885)
OTHER INCOME			
Interest Income (Expense), net	(25,498)	(10,930)	(161,071)
Other Income (Expense) net	(4,902,302)	(1,054,187)	(6,959,473)
TOTAL OTHER INCOME (EXPENSE)	($4,927,800)	($1,065,117)	($7,120,544)
NET LOSS	($19,004,252)	($11,060,372)	($162,520,429)
LOSS PER COMMON SHARE, basic and diluted	($0.09)	($0.04)	
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING, basic and diluted	211,186,500	309,018,261	

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

SELECTED BALANCE SHEET DATA:
As of June 30,
(in thousands except per share data)

	2002	2003	2004	2005	2006	March 31, 2007 (unaudited)
Cash and cash equivalents	$47	$397	$90	$351	$1,360	$315
Working capital (deficit)	(94)	(1,405)	(2,112)	(1,674)	(1,093)	(3,011)
Total assets	6,942	3,782	2,591	2,232	2,182	1,666
Long-term obligations, net of current portion	2,891	2,608	1,038	315	0	0
Total stockholders' (deficit)	$(42)	$(3,229)	$(2,918)	$(1,618)	$(606)	$(2,634)

SELECTED QUARTERLY DATA

FISCAL 2007 QUARTERLY STATEMENT OF OPERATIONS DATA:	**Three Months Ended September 30,**	**December 31**	**March 31,**
Total revenues	$105,846	$14,742	$15,155
Costs and Expenses:			
Cost of sales	85,390		2,817
Research and development	1,990,313	1,723,411	1,250,680
General and administrative	1,961,832	1,405,347	1,644,895
Depreciation and amortization	21,899	21,739	22,676
Operating loss	3,953,588	3,135,755	2,905,912
Interest expense, Net	(4,414)	(7,734)	1,218
Other Income (expense)		(695,352)	(358,835)
Net Loss	(3,958,002)	($3,838,841)	($3,263,529)
Basic and diluted net loss per share	(.01)	($.01)	($.01)
Shares used in basic and diluted net loss per share	282,306,237	300,483,022	327,195,047

FISCAL 2006 QUARTERLY STATEMENT OF OPERATIONS DATA:	**Three Months Ended September 30,**	**December 31**	**March 31,**	**June 30,**
	(in thousands, except share amounts)			
Total revenues	$381	$168	$284	$142
Costs and Expenses:				
Cost of sales	338	135	256	246
Research and development	1,861	1,961	2,298	1,915
General and administrative	1,092	2,090	4,820	3,119
Depreciation and amortization	21	20	17	22
Operating loss	(2,931)	(4,038)	(7,107)	(5,160)
Interest expense, Net	(14)	(6)	(5)	(10)
Other Income (expense)	(13)	(4,270)	(498)	(402)
Net Loss	$(2,958)	(8,314)	(7,610)	(5,572)
Basic and diluted net loss per share	$(.02)	(.05)	(.03)	(.03)
Shares used in basic and diluted net loss per share	152,291,645	174,998,048	262,539,165	270,387,574

FISCAL 2005 QUARTERLY STATEMENT OF OPERATIONS DATA:	**Three Months Ended**			
	September 30,	**December 31**	**March 31,**	**June 30,**
	(in thousands, except share amounts)			
Total revenues	$179	$295	$564	$673
Costs and Expenses:				
Cost of sales	130	245	448	623
Research and development	1,101	1,055	1,664	1,307
General and administrative	709	2,071	2,636	1,164
Depreciation and amortization	1	127	65	(130)
Operating loss	(1,762)	(3,203)	(4,249)	(2,291)
Interest expense, Net	(29)	(66)	(37)	21
Other Income (expense)	(41)	(37)	(60)	520
Net Loss	$(1,832)	(3,306)	$(4,346)	$(1,750)
Basic and diluted net loss per share	$(.02)	(.04)	$(.04)	$(.01)
Shares used in basic and diluted net loss per share	89,719,962	93,388,584	120,015,504	137,719,500

FISCAL 2004 QUARTERLY STATEMENT OF OPERATIONS DATA:	**Three Months Ended**			
	September 30,	**December 31**	**March 31,**	**June 30,**
	(in thousands, except share amounts)			
Total revenues	$2,489	$1,291	$555	$306
Costs and Expenses:				
Cost of sales	2,099	1,191	484	294
Research and development	611	843	1,404	1,212
General and administrative	605	914	803	1,856
Depreciation and amortization	46	28	27	22
Operating loss	(872)	(1,685)	(2,162)	(3,078)
Interest expense, Net	(16)	(16)	(20)	(59)
Other Income (expense)	23	-	(152)	279
Net Loss	$(865)	$(1,701)	$(2,334)	$(2,858)
Basic and diluted net loss per share	$(.01)	$(.02)	$(.03)	$(.03)
Shares used in basic and dilute net loss per share	71,725,318	72,814,272	81,564,405	84,885,017

FISCAL 2003 QUARTERLY STATEMENT OF OPERATIONS DATA:	**Three Months Ended**			
	September 30,	**December 31**	**March 31,**	**June 30,**
	(in thousands, except share amounts)			
Total revenues	$210	$562	$210	$600
Costs and Expenses:				
Cost of sales	197	547	205	544
Research and development	803	753	906	1,076
General and administrative	893	731	544	516
Depreciation and amortization	131	129	129	127
Operating loss	(1,814)	(1,598)	(1,574)	(1,662)
Interest expense, Net	(18)	(15)	(11)	(7)
Other Income (expense)	41	-	9	11
Gain (Loss) on investments	-	(16)	(12)	17

Net Loss	$(1,791)	$(1,629)	$(1,588)	$(1,641)
Basic and diluted net loss per share	$(.03)	$(.07)	$(.02)	$(.02)
Shares used in basic and diluted net loss per share	60,881,131	65,914,466	65,956,810	68,164,160

FISCAL 2002 QUARTERLY STATEMENT OF OPERATIONS DATA:	Three Months Ended September 30,	December 31	March 31,	June 30,
	(in thousands, except share amounts)			
Total revenues	$537	$545	$866	$634
Costs and Expenses:				
Cost of Sales	457	530	724	704
Research and development	1,111	1,257	539	913
General and administrative	2,862	1,641	1,355	1,181
Depreciation and amortization	193	209	136	132
Operating loss	(4,086)	(3,092)	(1,888)	(2,296)
Interest expense, Net	(10)	(1)	(5)	(10)
Other Income (expense)	33	5	85	19
Net Loss	$(4,063)	$(3,088)	$(1,808)	$(2,287)
Basic and diluted net loss per share	$(.10)	$(.07)	$(.03)	$(.04)
Shares used in basic and diluted net loss per share	42,037,506	44,645,458	55,606,168	56,459,167

COMPANY OPERATIONS

The following is management's discussion and analysis of the operations of mPhase, since its inception in 1996 which should be read in conjunction with the accompanying financial statements, financial data, and the related notes.

OVERVIEW

mPhase Technologies, Inc. (mPhase, the Company, we or us), a New Jersey corporation, founded in 1996 is a publicly-held company with approximately 17,000 shareholders and approximately 391 million shares of common stock outstanding as of July 9, 2007. The Company's common stock is traded on the NASDAQ Over the Counter Bulletin Board under the ticker symbol XDSL.

mPhase is a developer of broadband communications products, specifically, IPTV plus digital subscriber line (DSL) products for telecommunications service providers around the world. In February of 2004 mPhase entered into the new and emerging area of NanoTechnology. Since our inception in 1996 we have been a development-stage company and operating activities have related primarily to research and development, establishing third-party manufacturing relationships and developing product brand recognition among telecommunications service providers.

We are headquartered in Norwalk, Connecticut with offices in Little Falls, New Jersey and New York, New York. mPhase shares common office space and common management with Microphase Corporation, a privately-held company. Microphase is a seller of radio frequency and filtering technologies to the defense industry. Microphase has been in operation for over 50 years and supports mPhase with engineering, administrative and financial resources, as needed.

Description of Operations

mPhase Technologies, Inc. (mPhase or the Company) is a development stage technology company. The Company is a developer and seller of broadband communications products for telephone service providers. The Company's TV+ solution is an open-standards, carrier class solution of middleware/software enabling telephone service providers to deliver broadcast television using internet protocol (IPTV), video on demand, voice and high-speed internet over such providers existing infrastructure. The Company also provides systems integration solutions for delivery of broadcast television (IPTV), video on demand, high-speed internet and voice using internet protocol over the existing infrastructure of a telephone service provider. The Company's TV+ solution is highly scalable (compared to other middleware requires less routers and servers) with significant cost savings and is reliable middleware designed to operate with any IP based network. In addition the Company designs, manufacturers and sells DSL component products including its new customer premises VDSL splitter. In fiscal year 2004, the Company entered into the field of nanotechnology research and development of micro power cell batteries of various voltages. In 2005, the Company expanded its products in the field of nanotechnology research and development into electronic sensors or magnetometers using micro electrical mechanical systems.

IPTV and TV+ Solutions

mPhase introduced its first TV over DSL platform, the Traverser Digital Video and Data Delivery System (DVDDS), in 1998. The DVDDS is a patented end to end system that enables a telecommunications service provider to deliver up to several hundred channels of motion picture experts group two (MPEG-2) standard broadcast digital television, high speed internet and voice over copper telephone lines between a central office facility of the provider and a customer's premise. mPhase has not, as yet, derived any material revenues from sales of the DVDDS. The DVDDS is a proprietary technology developed in conjunction with Georgia Tech Research Corporation (GTRC) and is one of the first systems of its kind developed. The system is the only system on the market that utilizes non- Internet Protocol (IP) transmission over ADSL. The legacy DVDDS platform has been replaced by the Company's TV+ solution.

Our current TV+ solution, utilizes a communications framework based upon Internet Protocol (IP) instead of Asynchronous Transfer Mode (ATM) that is utilized by earlier versions of the product. ATM is an industry standard for transportation of data based upon a packaging of information into a fixed-size cell format for transportation across networks. Many telecommunications service providers currently deploy equipment that handles this protocol because it can support voice, video, data and multimedia applications simultaneously with a high degree of reliability. IP is another transport protocol that maintains network information and routes packets across networks. IP packets are larger and can hold more data than ATM cells. Historically, there have been concerns that service providers would be unable to provide the same quality of service with IP because it is not optimized for time-sensitive signals such as broadcast television and voice. Nevertheless, there is a greater demand by telecommunication service providers for IP systems for delivery of television, voice and high-speed data because such systems are significantly more cost effective to deploy based upon greater scalability.

Our TV+ solution is an open standards-based carrier class technology that may be used over any infrastructure such as fiber, coax, or copper. The TV+ solution may be used in combination with the set top box of any vendor and will operate with any DSLAM or multicast routers transport equipment used for delivery of IPTV. We believe the system's architecture is the most reliable and highly scalable solution available for IPTV. Our solution enables a telecommunications service provider to custom tailor the deployment of feature rich IP television, video on demand, high-speed internet and voice. The solution allows a service provider to start small and test its take rate among customers with a maximum of flexibility of design, features and cost allowing it to enter the market for converged services to its customers on an optimal basis.

mPhase DSL Component Products.

mPhase continues to design and market a line of DSL component products. mPhase is currently developing and marketing a new VDSL customer premises splitter designed to meet the current migration of deployments by telephone service providers from ADSL to VDSL.

Nanotechnology

Effective February 3, 2004, mPhase entered into a Development Agreement with Lucent Technologies, Inc. to commercialize the use of nano power cell technology. The initial agreement was for a 12 month period of exploratory development at the cost of $100,000 per month of a new form of power cell having a shelf life far in excess of conventional battery technology. In March of 2005 the Company extended such Agreement for another 12 months at the cost of $100,000 per month to continue development of the nano power cell product and the Company in currently negotiating with Lucent to extend the Agreement upon the same terms through March of 2006 and in May of 2006 extended such Agreement through February of 2007. We have extended such Agreement through April 27, 2007. We believe that this arrangement with the Bell Labs division of Lucent will give mPhase the opportunity to develop and offer breakthrough battery technology and other potential applications, initially to the government market for defense and homeland security and ultimately to the commercial market. It is anticipated that the initial applications for nano power cells will address the need to supply emergency and reserve power to a broad range of products for the defense department.

The Company believes that its entry into this new field of high technology growth will provide product diversification without negatively affecting its focus upon its traditional products aimed at delivery of Television over DSL. The Company developed a lab prototype of its first nano power cell product that was completed in the second quarter of fiscal year 2005. The Company is unable, at this time, to predict when significant commercialization and material revenues will be derived from its entry into the NanoTechnology business.

On March 10, 2005 the Company announced and agreement with the Bell Labs research and development arm of Lucent Technologies, Inc. to co develop using the science of nanotechnology and commercialize uncooled magnetic ultra-sensitive sensors for a host of defense and civilian applications. The agreement with Bell Labs is for a 12 month period at a cost of $100,000 per month to the Company and was renewed in May of 2006 through March of 2007 upon the same terms. The sensors, technically referred to as magnetometers, are based upon Micro Electro Mechanical Systems (MEMS) using designs based upon fundamental breakthroughs made in the past few years at Bell Labs as part of the New Jersey Nanotechnology Consortium. Initial tests of theses MEMS magnetometers indicate sensitivities 1000 times those achieved in presently available uncooled magnetometers. Such devices are designed to create a new generation of magnetometers suitable for navigation based applications as well as ultra sensitive magnetic field sensors that will enable military combatants to detect with greater accuracy and range hostile military forces. Commercial applications may include inexpensive navigational components for mobile phones to sensing devices for identification used in homeland security products, as well as sensors used in diagnostic systems for detection of metal fatigue for numerous industrial applications.

On June 8, 2007, the Company and Bell Labs extended at a cost of $100,000 per month for 12 months the Development Agreement with respect to the nano power cell technology that had expired on April 27 of 2007. The Company is currently in discussions with Bell Labs to renew for an additional twelve months the Development Agreement for the Magnetometer product that expired in March of 2007 on similar terms.

Nano Battery:

mPhase Technologies along with its partner Alcatel Lucent/Bell Labs has been jointly conducting research since February 2004 that demonstrates control and manipulation of fluids on superhydrophobic surfaces to create power cells by controlling wetting behavior of electrolyte on nanostructured electrode surfaces. The scientific research conducted this year has set the groundwork for continued exploration in the development of intelligent nanotechnology power cells (nano-batteries), and forms a path to commercialization of the technology for a broad range of market opportunities. During the first half of calendar year 2005 the battery team has been testing modifications and enhancements to the internal design of the battery to optimize its power and energy density characteristics, as well as making engineering improvements that will assist in making the battery easier to manufacture when the project research that level of maturity. In the second half of calendar year 2005, the technical team has improved the robustness and manufacturability of the prototype battery by designing a porous membrane structure with honeycomb features. A successful demonstration of this working prototype battery using these new modifications was demonstrated in January of 2006 and subsequently highlighted in the February 2006 issue of Scientific American magazine.

In June of 2005 the battery project was expanded to include a joint technical development effort through December 2005 between mPhase and Rutgers University to potentially incorporate a Lithium based design. This work program has initially started as a modest technology effort to help characterize and test the nano battery design using Lithium chemistry and determine if the current design is capable of supporting the lithium based chemistry. The Company continued its work with Rutgers University in 2006 where a number of important scientific tests were conducted. Based upon the results of these on going tests, the Company may decide to accelerate the work effort beyond its current level of funding.

Magnetometer:

In February 2005 mPhase and Lucent Technologies' Bell Laboratories entered into a joint effort to develop a family of magnetometer designs suitable for both low sensitivity applications, to extremely sensitive designs used for more complex applications. Magnetometers can be used in a wide range of applications that include military surveillance, securing the retail environment, automotive sensors and actuators, industrial processing, medical imaging, scientific measurements, detection of mineral deposits and even air and space exploration. In sensor networks ultra-sensitive magnetometers can be used, for example, to detect and accurately pinpoint battlefield objects or they might also be used to study the workings of the human brain.

Magnetometers work by sensing changes in magnetic fields due to the motion of magnetic objects or changes in electrical currents generated by those objects. The magnetometer detects these objects by measuring time-varying magnetic signals that are superimposed on the combination of earth's background field (used to orient compasses) and static magnetic fields due to nearby magnetic objects.

Highly Sensitive Magnetometers - The enhanced sensitivity of these devices results from two scientific advances recently made researchers at Alchaetel / Lucent Bell Labs. Presently, the highest sensitivity magnetometers commercially available require cooling to cryogenic temperatures. Called SQUIDs (for Superconducting Quantum Interference Devices) these devices only work at the temperature where liquid helium boils, -455 degrees below zero Fahrenheit, making such magnetometers expensive and bulky and therefore ill-suited for remote-sensing applications. Room temperature magnetometers, on the other hand, are less sensitive, and use technology that was developed in World War II for detecting submarines.

The new technology being developed by Bell Labs and mPhase employs a number of different designs based on Micro-Mechanical Systems (MEMS). These designs use the very high Quality Factor (Q) of the mechanical resonance in single crystals of silicon. A resonance is similar to the fundamental frequency of a tuning fork. When tapped, a tuning fork will vibrate for a length of time inversely proportional to the internal friction of vibration within the metal of the tuning fork. A comparable tuning fork made from single crystal silicon, which has less internal friction than the hardest metal, will vibrate almost a thousand times longer. Based on this principal, a device employing a high Q resonator will have enhanced amplitude of vibration at the resonance frequency, and hence will display a greater sensitivity to external perturbations that affect its resonance frequency. By coupling the mechanical motion of a bar or a paddle constructed from silicon to the ambient magnetic field, this high mechanical sensitivity can be converted to high magnetic field sensitivity. The technical approach that the team is developing can be achieved either statically with an integrated magnetic film, or dynamically through motion of the silicon bar or paddle.

The Benefits of MEMS - Commercial magnetometers using purely electronic detection, such as Hall, magneto-resistance or flux-gate devices, have sensitivities limited by their *electronic* Q-factor. This Q-factor depends on the natural electrical resistance, or electronic friction, of the metal in the circuit. For room-temperature operations it is therefore difficult to reduce the electrical Q-factor. Mechanical resonators made from semiconductor-grade silicon, on the other hand, exhibit mechanical Q-factors, approaching 100,000 at room temperature. These new, smaller and less costly magnetometers should be 100-1000 times more sensitive than existing commercial devices in terms of size and power consumption, thus enabling the creation of a new class of sensor systems that mPhase plans on commercializing.

The mPhase and Lucent magnetometer team has successfully reached an early milestone and have produced a number MEM based sensor samples from the clean room facilities and are working on integrating them into the surrounding electronic circuitry so that measurement, characterization and sensitivity testing can be conducted. We are currently able to achieve sensitivities at room temperature of better than .1 micro gauss per root hertz squared and with additional development the goal is improvement of at least one order of magnitude.

The Company is currently negotiating the extension through June of 2008 with Bell Labs of its Magnetometer Development Agreement and its Battery Development Agreement each at a cost of $100,000 per month.

NOTES ON OPERATIONS

Revenues. To date, all material revenues have been generated from sales of the POTS Splitter Shelves and other DSL component products to a small number of telecommunications companies. mPhase believes that future revenues are difficult to predict because of the length and variability of the commercial roll-out of the IPTV to various telecommunications service providers and the Company's recent entry into the NanoTechnology business that is essentially exploratory research both with respect to the potential battery and magnetometer applications. Since the Company believes that there may be a significant international market for its TV+ IPTV solution involving many different countries, with different regulations, certifications and commercial practices than the United States, future revenues are highly subject to the changing variables and uncertainties. The Company is negotiating a royalty on gross revenues received by Janifast Ltd. in connection with sales of the new VDSL customer premises splitter