



**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 JULY 2, 2018 IS 16,860,514,423 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**

|  | December 31,<br>2017<br>(Unaudited) | June 30,<br>2017    |
|--|-------------------------------------|---------------------|
| <b>ASSETS</b>  |                                     |                     |
| <b>CURRENT ASSETS</b>  |                                     |                     |
| Cash   | \$910                               | \$4,163             |
| Assets of discontinued operations  | 4,027                               | 4,527               |
| <b>TOTAL CURRENT ASSETS</b>  | <b>4,937</b>                        | <b>8,690</b>        |
| Property and equipment, net  | -                                   | 683                 |
| Other assets   | 800                                 | 800                 |
| <b>TOTAL ASSETS</b>  | <b>\$5,737</b>                      | <b>\$10,173</b>     |
| <b>LIABILITIES AND STOCKHOLDERS' DEFICIT</b>   |                                     |                     |
| <b>CURRENT LIABILITIES</b>   |                                     |                     |
| Accounts payable   | \$433,025                           | \$442,746           |
| Accrued expenses   | 587,054                             | 894,930             |
| Due to related parties   | 218,545                             | 217,045             |
| Notes payable, Officers'   | 708,917                             | 658,311             |
| Notes payable, Director & Investor   | 129,364                             | 123,609             |
| Current Portion, Long term convertible debentures  | 958,882                             | 1,615,266           |
| Liabilities of discontinued operations   | 322,761                             | 567,209             |
| <b>TOTAL CURRENT LIABILITIES</b>   | <b>3,358,548</b>                    | <b>4,519,116</b>    |
| <b>STOCKHOLDERS' DEFICIT</b>   |                                     |                     |
| Common stock, par value \$.001, 18,000,000,000 shares authorized, 15,360,514,523 and 17,764,713,048 shares issued and outstanding at December 31, 2017 (unaudited) & June 30, 2017, respectively | 15,360,514                          | 17,764,712          |
| Additional paid in capital   | 192,197,424                         | 189,718,941         |
| Accumulated deficit  | (210,910,749)                       | (211,992,596)       |
| <b>TOTAL STOCKHOLDERS' DEFICIT</b>   | <b>(3,352,811 )</b>                 | <b>(4,508,943 )</b> |
| <b>TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT</b>   | <b>\$5,737</b>                      | <b>\$10,173</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 |                      |
|---|----------------------------|----------------------|
|   | December 31,<br>2017       | December 31,<br>2016 |
| REVENUES (Continuing Operations - see Note 1)                 | \$-                        | \$-                  |
| COSTS AND EXPENSES (Continuing Operations - see Note 1)       |                            |                      |
| General and administrative                                    | 37,014                     | 71,237               |
| Depreciation and amortization                                 | -                          | 737                  |
| TOTAL COSTS AND EXPENSES                                      | 37,014                     | 71,974               |
| OPERATING LOSS  | (37,014                    | ) (71,974            |
| OTHER INCOME (EXPENSE)  |                            |                      |
| Interest (Expense)  | (60,359                    | ) (74,455            |
| Gain on debt extinguishments                                  | -                          | -                    |
| Other income (Expense)  | -                          | -                    |
| TOTAL OTHER INCOME (EXPENSE)                                  | \$(60,359                  | ) \$(74,455          |
| Income (Loss) From Continuing Operations, before Income Taxes | \$(97,373                  | ) \$(146,429         |
| Income (Loss) From Discontinued Operations                    | 242,100                    | (37,626              |
| Income Taxes  | -                          | -                    |
| Net Income (Loss)   | 144,727                    | (184,055             |
| Basic & Diluted Net loss per share:                           |                            |                      |
| Income (Loss) per share From Continuing Operations            | \$(0.00                    | ) \$(0.00            |
| Income (Loss) per share From Discontinued Operations          | \$0.00                     | \$ (0.00             |
| Net Income (Loss) per share                                   | \$0.00                     | \$(0.00              |
| Weighted Average Number of Shares Outstanding:                |                            |                      |
| Basic   | 16,730,533,668             | 17,747,643,845       |
| Diluted   | 18,000,000,000             | 17,747,643,845       |

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 Six Months Ended |                      |
|---|--------------------------|----------------------|
|   | December 31,<br>2017     | December 31,<br>2016 |
| REVENUES (Continuing Operations - see Note 1)                 | \$-                      | \$-                  |
| COSTS AND EXPENSES (Continuing Operations - see Note 1)       |                          |                      |
| General and administrative                                    | 71,816                   | 134,947              |
| Depreciation and amortization                                 | 683                      | 1,474                |
| TOTAL COSTS AND EXPENSES                                      | 72,499                   | 136,421              |
| OPERATING LOSS  | (72,499 )                | (136,421 )           |
| OTHER INCOME (EXPENSE)  |                          |                      |
| Interest (Expense)  | (123,249 )               | (150,728 )           |
| Gain on debt extinguishments                                  | 1,051,594                | -                    |
| Other income (Expense)  | -                        | -                    |
| TOTAL OTHER INCOME (EXPENSE)                                  | \$928,345                | \$(150,728 )         |
| Income (Loss) From Continuing Operations, before Income Taxes | \$855,846                | \$(287,149 )         |
| Income (Loss) From Discontinued Operations                    | 226,001                  | (68,541 )            |
| Income Taxes  | -                        | -                    |
| Net Income (Loss)   | 1,081,847                | (355,690 )           |
| Basic & Diluted Net loss per share:                           |                          |                      |
| Income (Loss) per share From Continuing Operations            | \$0.00                   | \$(0.00 )            |
| (Loss) per share From Discontinued Operations                 | \$0.00                   | \$(0.00 )            |
| Net Income (Loss) per share                                   | \$0.00                   | \$(0.00 )            |
| Weighted Average Number of Shares Outstanding;                |                          |                      |
| Basic   | 17,769,060,874           | 17,832,358,519       |
| Diluted   | 18,000,000,000           | 17,832,358,519       |

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 Six Months Ended |                   |
|---|--------------------------|-------------------|
|   | December 31, 2017        | December 31, 2016 |
| Cash Flow From Operating Activities:  |                          |                   |
| Net Income (Loss) From Continuing Operations                                | \$855,846                | \$ (287,150 )     |
| Net Income (Loss) from Discontinued Operations                              | 226,001                  | (68,541 )         |
| Adjustments to reconcile net loss to net cash used in operating activities: |                          |                   |
| Depreciation and amortization   | 683                      | 1,474             |
| (Gain) on debt extinguishments  | (1,309,069)              | -                 |
| (Gain) on sale of patent  | -                        | (12,500 )         |
| Other non-cash charges for beneficial conversion interest expense           | 60,785                   | 60,785            |
| Amortization of loan discount, finance company                              | 5,284                    | 5,238             |
| Changes in assets and liabilities:  |                          |                   |
| Accounts receivable   | -                        | 55                |
| Inventories   | -                        | 20,074            |
| Prepaid expenses and other current assets                                   | (500 )                   | -                 |
| Accounts payable & accrued expenses   | 110,548                  | 147,513           |
| Due to/from related parties   |                          |                   |
| Microphase & Eagle Officers   | 1,500                    | 3,000             |
|   | -                        | 108,000           |
| Net cash used in operating activities                                       | (48,922 )                | (22,052 )         |
| 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                 | 13,500                   | 27,000            |
| Proceeds of demand note   | 2,000                    | -                 |
| Repayment to Finance Company  | -                        | (7,062 )          |
| Proceeds from notes payable related parties                                 | 30,395                   | 14,204            |
| Repayment of notes payable related parties                                  | (226 )                   | (14,787 )         |
| Net cash provided by financing activities                                   | \$45,669                 | \$ 19,355         |
| Net (decrease) in cash  | (3,253 )                 | (2,697 )          |
| CASH AND CASH EQUIVALENTS, beginning of period                              | 4,163                    | 4,717             |
| CASH AND CASH EQUIVALENTS, end of period                                    | \$910                    | \$ 2,020          |

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

**mPHASE TECHNOLOGIES, INC.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**DECEMBER 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 six months ending December 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, 2017.

**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 December 31, 2017, the Company had incurred (a) cumulative losses totaling (\$210,910,749) and (b) a stockholders' deficit of (\$3,352,811). At December 31, 2017, the Company had \$910 of cash to fund short-term working capital requirements and used (\$48,922) of cash in operations during the six months ended December 31, 2017. 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 for a period of twelve months from the issuance date of this quarterly report. 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 smart surface 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, 2017, inventory consisted primarily of its various Jump products including the Jump and the mini Jump, and our remaining flashlight inventory, and was valued at \$3,477. As of December 31, 2017, 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 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, 2017 and December 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 and 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 the fair value 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 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 December 31, 2017, due to the Company's current share price and lack of trading liquidity in the Company's common stock, and limited shares available for conversions for outstanding convertible securities, there is 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 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 December 31, 2017.

At December 31, 2017 the Company has convertible securities held by third parties that are immediately convertible into 769,169,083 shares of common stock. Under the terms of the Forbearance Agreement, as amended, with John Fife (arrangement #4), Fife may acquire a total of 12,498,311,583 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 1,772,292,500, immediately, if available.

**The following table illustrates debts convertible into shares of the Company's Common Stock at December 31, 2017:**

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|  | Note<br>Principle | Accrued<br>Interest | Total       | Shares Convertible |                                  |
|--|-------------------|---------------------|-------------|--------------------|----------------------------------|
|  |                   |                     |             | immediately        | over full term, if<br>available* |
| Arrangement #1 - JMJ Financial, Inc                                    | \$109,000         | \$62,543            | \$171,543   | 42,885,750         | 42,885,750                       |
| Arrangement #2 - St. George Investments/Fife<br>Forbearance Obligation | 846,549           | -                   | 846,549     | 625,000,000        | 10,581,862,500                   |
| Arrangement #3 - MH Investment trust II                                | 3,333             | 2,744               | 6,077       | 101,283,333        | 101,283,333                      |
| Total Convertible Notes payable  | 958,882           | 65,287              | 1,024,169   | 769,169,083        | 10,726,031,583                   |
| Notes Payable- Officers*   | 708,917           | -                   | 708,917     | -                  | 1,772,292,500                    |
| Total  | \$1,667,799       | \$65,287            | \$1,733,086 | 769,169,083        | 12,498,324,083                   |

\* 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 Fiscal Years ended June 30, 2017 and 2016.

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

|   | December 31, 2017<br>(Unaudited) |                          |                    | June 30, 2017      |                          |                    |
|---|----------------------------------|--------------------------|--------------------|--------------------|--------------------------|--------------------|
|   | Total                            | Discontinued (Unaudited) |                    | Total              | Discontinued (Unaudited) |                    |
| <b>ASSETS</b>                                     |                                  |                          |                    |                    |                          |                    |
| <b>CURRENT ASSETS</b>                             |                                  |                          |                    |                    |                          |                    |
| Cash  | \$910                            | \$ -                     | \$910              | \$4,163            | \$ -                     | \$4,163            |
| Accounts receivable, net                          | -                                | -                        | -                  | -                  | -                        | -                  |
| Inventory, net                                    | 3,477                            | 3,477                    | -                  | 3,477              | 3,477                    | -                  |
| Prepaid and other current assets                  | 550                              | 550                      | -                  | 1,050              | 1,050                    | -                  |
| <b>TOTAL CURRENT ASSETS</b>                       | <b>4,937</b>                     | <b>4,027</b>             | <b>4,937</b>       | <b>8,690</b>       | <b>4,527</b>             | <b>8,690</b>       |
| Property and equipment, net                       | -                                | -                        | -                  | 683                | -                        | 683                |
| Other assets                                      | 800                              | -                        | 800                | 800                | -                        | 800                |
| <b>TOTAL ASSETS</b>                               | <b>5,737</b>                     | <b>4,027</b>             | <b>5,737</b>       | <b>10,173</b>      | <b>4,527</b>             | <b>10,173</b>      |
| <b>LIABILITIES AND STOCKHOLDERS' DEFICIT</b>      |                                  |                          |                    |                    |                          |                    |
| <b>CURRENT LIABILITIES</b>                        |                                  |                          |                    |                    |                          |                    |
| Accounts payable                                  | 580,371                          | 147,346                  | 433,025            | 839,824            | 397,078                  | 442,746            |
| Accrued expenses                                  | 729,249                          | 142,195                  | 587,054            | 1,037,125          | 142,195                  | 894,930            |
| Due to related parties                            | 218,545                          | -                        | 218,545            | 217,045            | -                        | 217,045            |
| Notes payable, Officers'                          | 708,917                          | -                        | 708,917            | 658,311            | -                        | 658,311            |
| Notes payable, Director & Investor                | 129,364                          | -                        | 129,364            | 123,609            | -                        | 123,609            |
| Note Payable, Finance Company                     | 33,220                           | 33,220                   | -                  | 27,936             | 27,936                   | -                  |
| Current Portion, Long term convertible debentures | 958,882                          | -                        | 958,882            | 1,615,266          | -                        | 1,615,266          |
| <b>TOTAL CURRENT LIABILITIES</b>                  | <b>\$3,358,548</b>               | <b>\$ 322,761</b>        | <b>\$3,358,548</b> | <b>\$4,519,116</b> | <b>\$ 567,209</b>        | <b>\$3,951,907</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<br>Ended |                      |
|---|-------------------------------|----------------------|
|   | December 31,<br>2017          | December 31,<br>2016 |
|   | Discontinued                  | Discontinued         |
| REVENUES (Continuing Operations - see Note 1)           | \$-                           | \$ 624               |
| COSTS AND EXPENSES (Continuing Operations - see Note 1) |                               |                      |
| Cost of Sales   | -                             | -                    |
| Research and Development                                | -                             | -                    |
| Selling and Marketing                                   | 670                           | 2,705                |
| General and administrative                              | 4,561                         | 23,805               |
| Depreciation and amortization                           | -                             | -                    |
| TOTAL COSTS AND EXPENSES                                | 5,231                         | 26,510               |
| OPERATING LOSS  | (5,231 )                      | (25,886 )            |
| OTHER INCOME (EXPENSE)                                  |                               |                      |
| Interest (Expense)                                      | (10,144 )                     | (11,740 )            |



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|  |                |                  |
|--|----------------|------------------|
| Gain on debt extinguishments               | 257,475        | -                |
| Other income (Expense)                     | -              | -                |
| <b>TOTAL OTHER INCOME (EXPENSE)</b>        | <b>247,331</b> | <b>(11,740 )</b> |
| Income (Loss) from Discontinued Operations | \$242,100      | \$ (37,626 )     |

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## 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 Six Months<br>Ended |                      |
|---|-----------------------------|----------------------|
|   | December 31,<br>2017        | December 31,<br>2016 |
|   | Discontinued                | Discontinued         |
| REVENUES (Continuing Operations - see Note 1)           | \$-                         | \$ 20,516            |
| COSTS AND EXPENSES (Continuing Operations - see Note 1) |                             |                      |
| Cost of Sales   | -                           | 20,075               |
| Research and Development                                | -                           | 38                   |
| Selling and Marketing                                   | 2,094                       | 10,898               |
| General and administrative                              | 8,863                       | 46,679               |
| Depreciation and amortization                           | -                           | -                    |
| TOTAL COSTS AND EXPENSES                                | 10,957                      | 77,690               |
| OPERATING LOSS  | (10,957 )                   | (57,174 )            |
| OTHER INCOME (EXPENSE)                                  |                             |                      |
| Interest (Expense)                                      | (20,517 )                   | (23,867 )            |

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|  |                |                  |
|--|----------------|------------------|
| Gain on debt extinguishments               | 257,475        | -                |
| Other income (Expense)                     | -              | 12,500           |
| <b>TOTAL OTHER INCOME (EXPENSE)</b>        | <b>236,958</b> | <b>(11,367 )</b> |
| Income (Loss) from Discontinued Operations | \$226,001      | \$ (68,541 )     |

**2.SUPPLEMENTAL CASH FLOW INFORMATION**

|   | For the six<br>months Ended |                      |
|---|-----------------------------|----------------------|
|   | December<br>2017            | December 31,<br>2016 |
| Statement of Operation Information:   |                             |                      |
| Interest paid (net interest income)   | \$1,816                     | \$ 49,736            |
| Non-Cash Investing and Financing Activities:  |                             |                      |
| Conversion of \$9,460 convertible debt and \$5,540 accrued interest to common stock in 2016 | \$-                         | \$ 15,000            |
| Amortization of loan discount   | \$5,285                     | \$ 2,700             |

### **3.EQUITY TRANSACTIONS NOTES PAYABLE AND CONVERTIBLE DEBT**

#### **Private Placements**

During the six months ended December 31, 2017, the Company issued 300,000,000 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 \$15,000 and incurring finder's fees of \$1,500. The proceeds were used by the Company as working capital.

During the six months ended December 31, 2016, the Company issued 600,000,000 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 \$30,000 and incurring finder's fees of \$3,000. The proceeds were used by the Company as working capital.

#### **Stock Based Compensation**

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

During the six months ended December 31, 2016, the Company did not issue any common stock, warrants or options to employees or officers.

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

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

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 for FYE 2016 and \$7,123 of accrued interest for FYE 2017 resulted in \$122,609 outstanding at June 30, 2017. During the six months ended December 31, 2017 and 2016 the

Company recorded \$3,755 and \$3,537 of accrued interest and \$126,364 was outstanding at December 31, 2017.

### **Other Note payable**

During the fourth quarter fiscal 2017 an unaffiliated shareholder advanced the Company \$1,000. At June 30, 2017 \$1,000 remained outstanding under this note. During the quarter ended December 31, 2017 this shareholder advanced the Company \$2,000. At December 31, 2017 \$3,000 remained outstanding under this note.

### **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, 27,210 remained outstanding under this note. During the FYE June 30, 2017 we made \$12,300 of repayments which included \$2,103 of principal and \$10,197 of finance charges which are included in interest expense for the period. At June 30, 2017, \$27,936 remained outstanding under this note.

During the six months ended December 31, 2017 and 2016 we incurred \$5,285 and \$5,238 of finance charges under this note and at December 31, 2017, \$33,220 remained 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, 2017, all three of which were still active as of December 31, 2017.

During the six months ended December 31, 2017 no conversions were made under any Convertible Debentures.

During the six months ended December 31, 2016, 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:

|   | December 31,<br>2017<br>(unaudited) | June 30,<br>2017<br>(unaudited) |
|---|-------------------------------------|---------------------------------|
| Arrangement #1 - JMJ Financial, Inc                                 | \$ 109,000                          | \$ 802,060                      |
| Arrangement #2 - St. George Investments/Fife Forbearance Obligation | 846,549                             | 809,873                         |
| Arrangement #3 - MH Investment trust II                             | 3,333                               | 3,333                           |
| Total notes payable   | 958,882                             | 1,615,266                       |
| Convertible Notes payable-short term portion                        | \$958,882                           | \$ 1,615,266                    |

Included in accrued expenses is \$66,287 and \$413,271 of interest accrued on these notes at December 31, 2017 (unaudited) and June 30, 2017, 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, in which 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. JMJ Financial sold this Note to River North Equity LLC.

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 MJM Financial, Inc. MJM Financial also sold this Note to River North Equity LLC.

On April 5, 2010, the Company entered into a financing agreement with MJM 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 MJM Financial, Inc., for a total of \$802,060 for convertible notes. The Company has no promissory notes receivable from MJM as of June 30, 2012.

In April of 2017, the Company received a judgment from the Federal District Court of Northern Illinois Eastern Division in its favor dismissing a claim by River North Equity which effectively negated two notes River North Equity purchased from MJM Financial. At June 30, 2017 the amount recorded in Current Liabilities for the two notes and accrued interest thereon subject to the River North Equity claim was \$1,046,416. Such amount is included in the amount recorded in Current Liabilities for all three convertible notes and accrued interest thereon previously issued to MJM Financial which totaled \$1,212,940 on that date. River North failed to appeal the Judgement by July 17, 2017 and the Judgement become final. As a result of this proceeding the Company recorded the cancellation of the two notes assigned to River North from MJM Financial for a total of \$693,060 of principal and \$358,534 accrued interest thereon. This resulted in a \$1,051,594 gain from the cancellation of debt during the six months ended December 31, 2017.

As of December 31, 2017, and as of June 30, 2017, the aggregate remaining amount of convertible securities held by MJM could be converted into 42,885,750 and 303,234,810 common shares at the conversion floor price of \$.004.

During the six months ended December 31, 2017 and 2016 the Company recorded \$9,198 and \$45,553 interest on this agreement.



At December 31, 2017 the amount recorded in Current Liabilities for convertible note plus accrued interest thereon previously issued to JMJ Financial was \$109,000 and \$62,543, respectively. At June 30, 2017 the amount recorded in Current Liabilities for all three convertible notes and accrued interest thereon previously issued to JMJ Financial was \$802,060 and \$410,879, respectively.

#### **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.

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 six months ended December 31, 2016 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 June 30, 2017 was \$809,873.

During the six months ended December 31, 2017 and 2016 the Company recorded \$36,676 and \$33,588 interest on this agreement. The value of the forbearance debt obligation on December 31, 2017 was \$846,549.

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

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, if repaid in full according to revised terms, in connection with the default by the Company under a Convertible Debenture dated September 13, 2011. (See Note 5 & Note 8)

As of December 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 10,581,862,500 shares of our common stock should the entire obligation be converted.

### **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 proceeds of the financing used by the Company as working capital.

During the six months ended December 31, 2017 and 2016 the Company recorded \$352 and \$313 interest on this agreement.

At December 31, 2017 the note balance was \$3,333 and accrued interest of \$2,744, at 12%, remained due under this agreement. At June 30, 2017 the note balance was \$3,333 and accrued interest of \$2,392, at 12%; remained due under this agreement. Based upon the price of the Company's common stock on December 31, 2017 and June 30, 2017 this Note is convertible into approximately 101,283,333 and 95,412,167 shares of common stock, respectively.

### **Retired shares**

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

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

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

#### 4. COMMITMENTS

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 discontinued operations at December 31, 2017.

#### 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 December 31, 2017 is \$828,005 (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 (1.325 million) if the Company defaults under the forbearance obligation reduced by payments under the Forbearance Agreement, which payments through June 30, 2017 totaled \$275,000. As of June 30, 2016, 812,500,000 shares from this reserve have been issued to satisfy the conversion provisions of the Forbearance Agreement. 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. The Company is in arrears on the agreement and has negotiated a settlement for approximately \$360,000 in cash payments. The Company is in arrears on this settlement. (See Note 3)

As of December 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 10,581,862,500 shares of our common stock should the entire obligation be converted. Subsequent to December 31, 2017 this Forbearance Agreement with Fife has been amended several times; the most recent providing for settlement amounts less than the aggregate of liabilities recorded in the financial statements. (See Note 3)

## 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 December 31, 2017 and 2016. At December 31, 2017 the Company’s common stock is subject to limited trading and availability of shares for conversions is nominal. We therefore believe there is no basis for applying a derivative liability to the conversion feature of the Notes.

|  | Fair Value<br>Measurements Using<br>Significant<br>Unobservable Inputs<br>(Level 3)<br>Derivative Liability |                      |
|--|---|----------------------|
|  | December 31,<br>2017  | December 31,<br>2016 |
| Balance, Beginning of Period                                 | \$ -  | \$ -                 |
| Increase (Decrease) in Derivative and associated liabilities | -   | -                    |
| Debt discounts   | -   | -                    |
| Balance, Ending  | \$-   | \$ -                 |

Financial instruments are considered Level 3 when their values are determined using pricing models, discounted cash flow methodologies or similar techniques and at least one significant model assumption or input is 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 December 31, 2017, the carrying value of the notes payable and accrued interest for convertible agreements and officers' notes was approximately \$1,733,086. 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 December 31, 2017.

## **7. RELATED PARTY TRANSACTIONS**

### **MICROPHASE CORPORATION**

The Company leased office space from Microphase at its Norwalk location. Microphase also 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. Mr. Durando was a strategic employee of Microphase Corporation from January 2, 2015 through May 31, of 2017. On February 9, 2015, Mr. Durando assigned all his interests in the Capital Stock of Microphase to the RCKJ Trust as the Grantor. 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, each exchanged all their respective 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. As of December 31, 2017 and June 30, 2017, the Company owed \$32,545 to Microphase.

### **OTHER RELATED PARTIES**

On December 31, 2017, Mr. Biderman, an outside Director's affiliated firms of Palladium Capital Advisors and Eagle Strategic Advisers were owed unpaid finders' fees in the aggregate amount of \$186,000, 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 \$7,123 and \$5,486 of accrued interest for fiscal years 2017 and 2016 that resulted in \$122,609 outstanding at June 30, 2017.

During the six months ended December 31, 2017 and 2016 the Company recorded \$3,755 and \$3,537 of accrued interest on this loan and \$126,364 was outstanding at December 31, 2017.

During the six months ended December 31, 2017 and 2016, Mr. Biderman's firm charged finders' fees of \$1,500 and \$3,000.

### **Transactions with Officers**



At various points during past fiscal years 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.

During the six months ended December 31, 2017 and 2016, \$20,437 and \$18,209 have been charged for interest on loans from officers.

At December 31, 2017 the aggregate principal amount of the officers' loans together with accrued interest totaled \$708,917. At June 30, 2017 the officers' loans together with accrued interest totaled \$658,311.

## 8.SUBSEQUENT EVENTS

Subsequent to December 31, 2017, Messrs. Durando, and Smiley loaned the Company approximately \$38,100 and \$20,000, to provide general working capital to commence the filings necessary to bring the Company's financial statements and required periodic reports pursuant to section 13 or 15(d) of the securities exchange act of 1934 current. \$10,000 of Mr. Smiley's loan is convertible into shares of the Company's common stock at \$.00005, if available, for a period of one year.

From January 1, 2018 through the date hereof, the Company issued 1,100,000,000 shares of its common stock in private placements pursuant to Section 4(a)(2) of the Securities Act of 1933 raising gross proceeds aggregate of \$55,000 all of which was used for working capital and general corporate purposes.

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. The Company is in arrears on the revised settlement terms of the February 16, 2018 Amendment and believes it can not settle such liability until after becoming current in its SEC filings. The revised agreement can be settled as soon as September 15, 2018 for \$265,000 if paid in full, or up to \$390,000 if paid in 24 monthly installments through September, 2020. This would result in approximately a \$600,000 gain in paid under the revised settlement terms.

On April 3, 2018, April 27, 2018, May 30, 2018 and June 21, 2018 the Company and Scepter entered into Amendment No. 2, 3, 4 & 5 to a Letter of Intent with Scepter Commodities LLC extending the time frame for the Company to become current in its SEC filings to April 30, 2018, May 31, 2018, June 15, 2018, and until July 15, 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 Sheets: 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, 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 reserve battery for heart pacemakers and other medical devices.

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

Due to very limited financial resources, the Company has not been able to fund research and development of the SmartNanao battery during the quarter ended December 31, 2017.

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

On December 28, 2017 the Company entered into a non-binding letter of intent with Scepter Commodities, LLC for the proposed acquisition by Scepter of 80% of the fully-diluted shares of the Company.

#### **Discontinuance of Jump Starter Products during Fiscal Year 2016**

In June, 2016 the Company conditionally sold a patent covering a portion of its Jump product line for \$25,000, in two installments each for \$12,500, recording other income in its discontinued operations of that amount in the year ended June 30, 2016 and June 30, 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 values of \$3,477 & \$3,477 as of December 31, 2017 & June 30, 2017 (See Note 1 under the caption "Discontinued Operations").

## FINANCIAL OVERVIEW

**Revenues.** 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. These costs may be reduced assuming the Company moves forward with the commercialization and distribution of its automotive battery jump starter product and other potential products associated with its mechanically-activated reserve battery in large volumes.

**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 DECEMBER 31, 2017 VS. DECEMBER 31, 2016**

***Continuing Operations***

***General and Administrative Expenses.*** General and administrative expenses charged to continuing operations were \$37,014 for the three months ended December 31, 2017 compared to \$71,237 for the three months ended December 31, 2016, a decrease of \$34,223. In May of 2017 the Company suspended the salaries of the three officers of the Company. As a result, in the six months ended December 31, 2017, saving approximately \$54,000 The Company did incur accounting and administrative expenses, primarily for office space and professional fees in the current year that were an increase of over \$20,000 from the prior year.

***Other Income and Expense.*** Interest expense charged to continuing operations was \$60,359 in Q2 2018 as compared to \$74,455 in Q2 2017, a decrease of \$14,096 due to lower liability balances.

***Net loss.*** mPhase recorded a net loss of \$97,373 from continuing operations for the quarter ended December 31, 2017, plus \$242,100 of income from discontinued operations, resulting in net income of \$144,727 for the current quarter as compared to a net loss of \$184,055 in the prior relative period, which consisted of a \$146,429 loss from continuing operations and a \$37,626 loss from discontinued operations for the three months ended December 31, 2016.

The Company had income per common share of \$0.00 in Q2 2018 as compared to a loss per common share \$(0.00) in 2017, based upon weighted average common shares outstanding of 16,730,533,668 and 17,747,643,845 during the quarters ending December 31 2017 and, 2016, respectively.

***Discontinued Operations***

***Revenues.*** Total revenues for the three months ended December 31, 2017 decreased to \$0 from \$624 in December 31, 2016. The revenue decrease for the current period was derived solely from discontinuation of sales of the mPower Jump products.

***Cost of sales.*** Cost of sales decreased to \$0 for the three months ended December 31, 2017 from \$0 in December 31, 2016. This decrease is directly attributable to the discontinuation of sales of our mPower Jump products.

**Research and Development.** Research and development expenses were \$0 for the three months ended December 31, 2017 as compared to \$0 for the three months ended December 31, 2016. Such values are attributable to the wind-down of the Company's efforts to develop its Jump Products and its limited resources to fund continued research and development of the SmartNanobattery.

**Selling and Marketing Expenses.** Selling and marketing expenses were \$670 for the three months ended December 31, 2017 compared to \$2,705 for the three months ended December 31, 2016, a decrease of \$2,035. The decrease is attributable to the wind-down of the Company's efforts to service customers of its line of Jump Products.

**General and Administrative Expenses.** General and administrative expenses charged to discontinued operations were \$4,561 for the three months ended December 31, 2017 compared to \$23,805 for the three months ended December 30, 2016, a decrease of \$19,244. The Company had no salaries of the three officers of the Company in three months ended December 31, 2017, as compared to \$15,000 in the period ended December 31, 2016. The Company also cut \$4,244 of other administrative expenses, primarily for office space and professional fees in for the quarter ended December 31, 2017 as compared to the quarter ended December 31, 2016.

**Other Income and Expense.** Interest expense charged to discontinued operations was \$10,144 in the three months ended December 2017 as compared to \$11,740 in the same three months last year, a decrease of due to lower liability balances. During the quarter ended December 31, 2017 the Company recorded \$257,475 gain on debt extinguishments pertaining to discontinued liabilities.

**Net loss from Discontinued Operations.** mPhase recorded a net income from discontinued operations of \$247,331 for the three months ended December 31, 2017 as compared to a net loss of \$37,626 for the three months ended December 31, 2016 due to, cancellation of accounts payable.

This represents net income from discontinued operations per common share of \$0.00 in Q2 2018 as compared to a loss of \$(0.00) in 2017, based upon weighted average common shares outstanding of 16,730,553,668 and 17,747,643,845 during the quarters ended December 31, 2017 and 2016, respectively.

**SIX MONTHS ENDED DECEMBER 31, 2017 VS. DECEMBER 31, 2016**

***Continuing Operations***

***General and Administrative Expenses.*** General and administrative expenses charged to continuing operations were \$71,816 for the six months ended December 31, 2017 compared to \$134,947 for the six months ended December 31, 2016, a decrease of \$63,131. In May of 2017 the Company suspended the salaries of the three officers of the Company. As a result in the six months ended December 31, 2017, saving approximately \$100,000 The Company did incur accounting and administrative expenses, primarily for office space and professional fees in the current year that were an increase of over \$40,000 from the prior year.

***Other Income and Expense.*** Interest expense charged to continuing operations was \$123,249 in the six months in Fiscal 2018 as compared to \$150,728 for the prior period, an increase of \$13,385 due to larger liability balances. The first six months of fiscal year 2018 the Company included a non-cash gain resulting from the gain on debt extinguishments of \$1,051,594 attributed to continuing operations, This resulted from the resolution of litigation with River North Equities, discussed in Note 3, compared to \$0 in the prior relative period.

***Net loss.*** mPhase recorded net income of \$855,846 from continuing operations for the six month period ended December 31, 2017, plus \$226,001 of income from discontinued operations, resulting in net income of \$1,081,847 for the current year as compared to a net loss of \$355,690 in the prior relative period, which consisted of a \$287,149 loss from continuing operations and a \$68,541 loss from discontinued operations for the six months ended December 31, 2016. The current period income is solely attributed to the gain on debt extinguishment discussed above.

The Company had income per common share of \$0.00 in Q2 2018 as compared to a loss per common share \$(0.00) in Q2 2017, based upon weighted average common shares outstanding of 17,769,060,874 and 17,832,358,519 during the six month periods ending December 31 2017 and, 2016, respectively.

***Discontinued Operations***

***Revenues.*** Total revenues for the six months ended December 31, 2017 decreased to \$0 from \$20,516 in 2016. The revenue decrease for the current period was derived solely from discontinuation of sales of the mPower Jump products.



**Cost of sales.** Cost of sales decreased to \$0 for the six months ended December 31, 2017 from \$20,075 in December 31, 2016. This decrease is directly attributable to the discontinuation of sales of our mPower Jump products.

**Research and Development.** Research and development expenses were \$0 for the six months ended December 31, 2017 as compared to \$38 for the six months ended December 31, 2016, an decrease of \$38. Such values are attributable to the wind-down of the Company's efforts to develop its Jump Products and its limited resources to fund continued research and development of the SmartNanobattery.

**Selling and Marketing Expenses.** Selling and marketing expenses were \$2,094 for the six months ended December 31, 2017 compared to \$10,898 for the six months ended December 31, 2016, a decrease of \$8,804. The decrease is attributable to the wind-down of the Company's efforts to service customers of its line of Jump Products.

**General and Administrative Expenses.** General and administrative expenses charged to discontinued operations were \$8,863 for the six months ended December 31, 2017 compared to \$46,679 for the six months ended December 31, 2016, a decrease of \$37,816. The Company had no salaries of the three officers of the Company in six months ended December 31, 2017, as compared to \$30,000 in the period ended December 31, 2016. The Company also cut \$7,816 of other administrative expenses, primarily for office space and professional fees in for the six months ended December 31, 2017 as compared to the quarter ended December 31, 2016.

**Other Income and Expense.** Interest expense charged to discontinued operations was \$20,517 in the six months ended December 2017 as compared to \$23,867 in the same six months last year, a decrease of \$3,350 due to lower liability balances. During the six months ended December 31, 2017 the Company recorded \$257,475 of gain on dept extinguishments of discontinued liabilities. During the six months ended December 31, 2016 other income from discontinued operations included \$12,500 from the conditional sale of a patent.

**Net loss from Discontinued Operations.** mPhase recorded a net income from discontinued operations of \$226,001 for the six months ended December 31, 2017 as compared to a loss of \$68,541 for the six months ended December 31, 2016.

This represents net income from discontinued operations per common share of \$0.00 in Q2 2018 as compared to a loss of \$(0.00) in 2017, based upon weighted average common shares outstanding of 17,769,060,874 and 17,832,358,519 during the six months ended December 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**

The Company leased office space from Microphase at its Norwalk location. 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. Mr. Durando was a strategic employee of Microphase Corporation from January 2, 2015 through May 31, of 2017, prior to that he had been an officer since May 1, 1995 and director since March 31, 2010. On February 9, 2015 Mr. Durando assigned all his interests in the Capital Stock of Microphase to the RCKJ Trust as the Grantor. 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 each exchanged all (its) their 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. As of December 31, 2017 and June 30, 2017, the Company owed \$32,545 to Microphase.

### **OTHER RELATED PARTIES**

A director of the Company was employed, until December 31, 2003, by our former investment-banking firm Lipper & Company. On December 31, 2017, Mr. Biderman, an outside Director's affiliated firms of Palladium Capital Advisors and Eagle Strategic Advisers were owed unpaid finders' fees in the aggregate amount of \$186,000, which is included in amounts 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 \$7,123 and \$5,486 of accrued interest for fiscal years 2017 and 2016 resulting in \$122,609 outstanding at June 30, 2017.

During the six months ended December 31, 2017 and 2016 the Company recorded \$3,755 and \$3,537 of accrued interest on this loan and \$126,364 was outstanding at December 31, 2017.

During the six months ended December 31, 2017 and 2016, Mr. Biderman's firm charged finders' fees of \$1,500 and \$3,000.

### **Transactions with Officers**

At various points during past fiscal years 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 the notes are payable on demand.

During the six months ended December 31, 2017 and 2016, \$20,437 and \$18,209 have been charged for interest on loans from officers.

At December 31, 2017 the aggregate principal amount of the officers' loans together with accrue interest totaled \$708,917. At June 30, 2017 the officers' loans together with accrue interest totaled \$658,311.

## LIQUIDITY AND CAPITAL RESOURCES

The Company has incurred cumulative losses of (\$210,910,749) and a working capital deficit of (\$3,353,611) as of December 31, 2017. The auditors' report for the fiscal year ended June 30, 2017 includes the statement that "there is substantial doubt of the Company's ability to continue as a going concern". As of December 31, 2017, the Company had a negative net worth of (\$3,352,811) compared to a negative net worth of (\$4,508,943) as of June 30, 2017 as a result of a non recurring gain on debt extinguishment.

During the six months ended December 31, 2017, the Company issued 300,000,000 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 \$15,000 and incurring finder's fees of \$1,500. The proceeds were used by the Company as working capital. During the same quarter the officers advanced approximately \$30,400 to the Company to fund limited operating activity.

During the six months ended December 31, 2016, the Company did not issue any common stock in private placements. During the same quarter the officers deferred \$54,000 of salary and advanced approximately \$8,500 to the Company to fund limited operating activity.

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 arrangements 1, JMJ Financial, had been renegotiating the settlement of these agreements; At June 30, 2017 the amount recorded in Current Liabilities for the two notes and accrued interest thereon subject to the River North Equity claim was \$1,046,416. Such amount is included in the amount recorded in Current Liabilities for all three convertible notes and accrued interest thereon previously issued to JMJ Financial which totaled \$1,212,940 on that date. River North Equity LLC which had purchased notes previously issued to JMJ Financial failed to appeal a Judgement in favor of the Company negating such Notes by July 17, 2017 and the Judgement become final. As a result of this proceeding the Company recorded the cancellation of the two notes assigned to River North from JMJ Financial for a total of \$693,060 of principal and \$358,534 accrued interest thereon. This resulted in a \$1,051,594 gain from the cancellation of debt during the six months ended December 31, 2017. The Company, subsequent to the River North Equity and judicial action denying enforcement of such Notes, has been negotiating a settlement for the remaining \$109,000 of principle and \$62,543 of accrued interest thereon due to JMJ.

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 December 31, 2017 we had recorded \$846,549 for the value of the forbearance debt obligation as amended because payment has not been made on the reused amendment.

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

On December 28, 2017 the Company entered into a Letter of Intent with Scepter Commodities LLC for Scepter to merge into mPhase wherein shareholders of Scepter would own 80% of the outstanding common stock of the Company with mPhase shareholders owning 20% of the common stock of the combined company.

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 December 31, 2017.

### **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 December 31, 2017, which included the laying off the Company's accounting manager, which the Company remediated by the increased involvement of an external contract controller. The result of the changes in our internal control over financial

reporting and the Company's remediation steps to address the change, the Company believes it has made the necessary adjustments so that there were no changes in our internal control over financial reporting during the quarter ended December 31, 2017 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 Securities Exchange Act of 1934 Release No 7418 Admin Proc File No. 3-15130 of February 2, 2015). The action was found as deficient by FINRA on the basis that two corporate officers and directors of the Company had previously entered into a Consent Decree with the SEC in October of 2007 by them when they were previously officers of another company named Packetport.com.

On November 20, 2012, mPhase Technologies, Inc. (the "Company") formally received an Event of Default and Redemption Notice dated November 16, 2012 with respect to an 8% Convertible Note dated September 13, 2011 issued by the Company to St. George Investments LLC and assigned to John Fife. The Triggering Events include alleged defaults with respect to payments owed by the Company under the Convertible Note and the failure to convert the Note into shares of the Company's common stock. The alleged amount owed according to the notice is approximately \$902,279. A lawsuit was commenced in late November in the Federal District Court, Northern District of Illinois Eastern Division by Fife against the Company alleging breach of contract and other actions in connection with the 8% Convertible Note.

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

Effective February 10, 2015, the Company entered into a Forbearance Agreement with John Fife. The agreement provides that the Fife 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, 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.

**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 six months ended December 31, 2017, the Company issued 300,000,000 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 \$15,000 and incurring finder's fees of \$1,500.

**Stock Based Compensation**

None.

**Conversion of Debt Securities** None.

**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, 2017, all three of which were still active as of December 31, 2017.

During the six months ended December 31, 2017 no conversions were made under any Convertible Debentures.

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, in which 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. JMJ Financial sold this Note to River North Equity LLC

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. JMJ Financial also sold this Note to River North Equity LLC.

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.

In April of 2017, the Company received a judgment from the Federal District Court of Northern Illinois Eastern Division in its favor dismissing a claim by River North Equity which effectively negated two notes River North Equity purchased from JMJ Financial. At June 30, 2017 the amount recorded in Current Liabilities for the two notes and accrued interest thereon subject to the River North Equity claim was \$1,046,416. Such amount is included in the amount recorded in Current Liabilities for all three convertible notes and accrued interest thereon previously issued to JMJ Financial which totaled \$1,212,940 on that date. River North failed to appeal the Judgement by July 17, 2017 and the Judgement become final. As a result of this proceeding the Company recorded the cancellation of the two notes assigned to River North from JMJ Financial for a total of \$693,060 of principal and \$358,534 accrued interest thereon. This resulted in a \$1,051,594 gain from the cancellation of debt during the six months ended December 31, 2017.



As of December 31, 2017, and as of June 30, 2017, the aggregate remaining amount of convertible securities held by JMJ could be converted into 42,885,750 and 303,234,810 common shares at the conversion floor price of \$. 004.

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

During the six months ended December 31, 2017 and 2016 the Company recorded \$9,198 and \$45,554 interest on this agreement.

At December 31, 2017 the amount recorded in Current Liabilities for the convertible note plus accrued interest thereon previously issued to JMJ Financial was \$109,000 and \$62,543, respectively. At June 30, 2017 the amount recorded in Current Liabilities for all three convertible notes and accrued interest thereon previously issued to JMJ Financial was \$802,060 and \$410,879, respectively.

#### **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 six months ended December 31, 2017 the Company recorded 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 June 30, 2017 was \$809,873.

During the six months ended December 31, 2017 and 2016 the Company recorded \$36,676 and \$33,588 interest on this agreement. The value of the forbearance debt obligation on December 31, 2017 was \$846,549.

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

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, if repaid in full according with revised terms, in connection with the default by the Company under a Convertible Debenture dated September 13, 2011.

As of December 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 10,581,862,500 shares of our common stock should the entire obligation be converted.

### **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.

During the six months ended December 31, 2017 and 2016 the Company recorded \$173 and \$154 interest on this agreement.

At December 31, 2017 the note balance was \$3,333 and accrued interest of \$2,744, at 12%, remained due under this agreement. At June 30, 2017 the note balance was \$3,333 and accrued interest of \$2,392, at 12%; remained due under this agreement. Based upon the price of the Company's common stock on December 31, 2017 and June 30, 2017 this Note is convertible into approximately 101,283,333 and 95,412,167 shares of common stock, respectively.

### **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**

Form 8K dated December 1, 2017 announcing the conversion of loans made by officer, directors and related parties of the Company into shares of common stock.

**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: July 6, 2018 By: /s/ Martin S. Smiley  
Martin S. Smiley

EVP, CFO and General Counsel