

# mPhase Technologies Inc

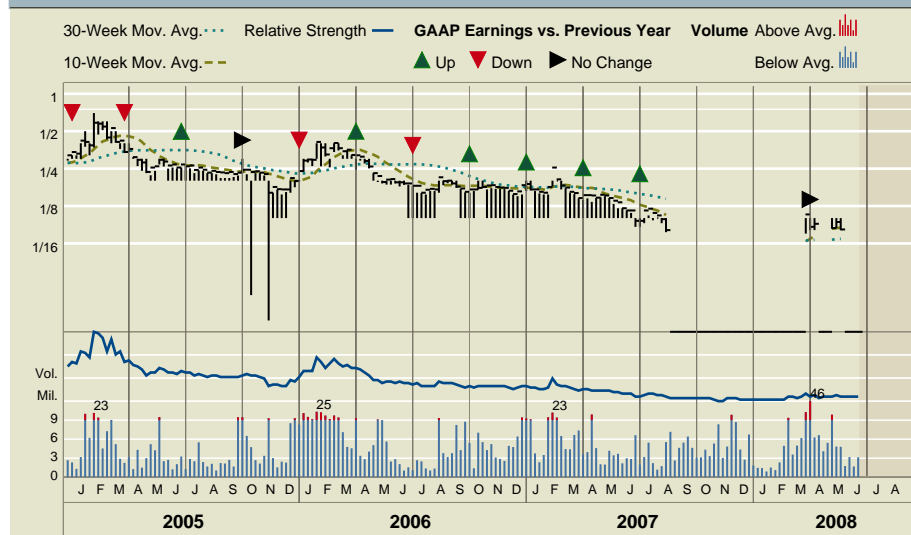
**GICS Sector** Industrials  
**Sub-Industry** Electrical Components & Equipment

**Summary** This technology development company is focusing its efforts on the application of nanotechnology and microfluidics to improve battery performance.

**Key Stock Statistics** (Source S&P, company reports, Vickers)

Price as of Jun 20, 2008	<b>\$0.07</b>	Dividend Rate/Share	<b>Nil</b>	\$10K Invested 5 Yrs Ago	<b>\$2,467</b>	Total Shares Outstg. (M)	<b>417.5</b>
52-Wk Range	<b>\$0.14-0.04</b>	Trailing 12-Month P/E	<b>NM</b>	Beta	<b>-0.23</b>	Market Capitalization(B)	<b>\$0.031</b>
Trailing 12-Month EPS	<b>\$-0.03</b>	Tangible Book Val/Share	<b>NM</b>	Yield (%)	<b>Nil</b>	Institutional Ownership (%)	<b>0</b>

**Price Performance**



**Quantitative Evaluations**

<b>S&amp;P Quality Ranking</b>	<b>C</b>
D C B- B B+ A- A A+	
<b>S&amp;P Fair Value Rank</b>	<b>NR</b>
1 2 3 4 5	
LOWEST	HIGHEST
<b>Fair Value Calculation</b>	<b>NA</b>
<b>Volatility</b>	<b>NA</b>
<b>Technical Evaluation</b>	<b>NA</b>
<b>Relative Strength Rank</b>	<b>WEAK</b>
25	
LOWEST = 1	HIGHEST = 99

S&P Financial Writer **Mark Schwiebert**

**Operational Review** June 06, 2008

**Income Statement Analysis & Financial Review**

Revenues for the nine months ended March 31, 2008 were \$0.096 million vs. \$0.136 million in the prior year, declining 29% year over year. Research & development expenses were \$1.6 million, as opposed to \$5 million in 2007, decreasing 67%. General & administrative expenses fell 39%, and operating loss was \$4.7 million, vs. a loss of \$10 million for last year. For the first three quarters of the fiscal year, net loss was \$6.2 million (\$0.02 a share), vs. a loss of \$11.1 million (\$0.04 a share) in 2007.

In the third quarter, revenues were \$0.0005 million vs. \$0.015 million in the prior year. Research & development expenses were \$0.3 million, as opposed to \$1.3 million for the same period in 2007, falling 78%. General & administrative expenses fell 65%, and operating loss for the quarter was \$0.9 million, vs. a loss of \$2.9 million in the prior-year period. Results for 2008 include a charge of \$2.4 million from change in derivative value. Net loss was \$3.5 million (\$0.01 a share), vs. a loss of \$3.3 million (\$0.01 a share) in the third quarter of 2007.

**Key Operating Information**

The loss for the third quarter is primarily a result of the change in the value of derivative securities

and ongoing operating cost without significant revenue. Exclusive of the change in derivative value reduced losses are a result of the scale down of research activities, the suspension of development of the IPTV business segment, a significant reduction in personnel and an increase in other income.

The company expects to continue and expand research and development efforts throughout fiscal year 2008. XDSL said it needs to raise approximately \$5 million during the next 12 months to continue its present level of operations. Such operations will be directed toward the development of the nanotechnology product line.

**Recent Developments**

On May 20, 2008, mPhase Technologies, Inc., through its wholly owned subsidiary AlwaysReady, Inc., announced that it has successfully produced its first prototype of a lithium-based battery, with a virtually infinite shelf life, that is designed to be electronically activated providing Power on Command(TM). In a demonstration, mPhase/AlwaysReady succeeded in activating several lithium battery prototypes, each of which provided 3 volts output and powered a light emitting diode.

**Revenue/Earnings Data**

<b>Revenue (Million \$)</b>					
	1Q	2Q	3Q	4Q	Year
2008	0.03	0.06	Nil	--	--
2007	0.11	0.01	0.02	0.02	0.15
2006	0.38	0.17	0.28	0.14	0.98
2005	0.18	0.30	0.56	0.67	1.71
2004	2.49	1.29	0.56	0.29	4.64
2003	0.21	0.56	0.21	0.60	1.58

<b>Earnings Per Share (\$)</b>					
	1Q	2Q	3Q	4Q	Year
2008	-0.01	Nil	-0.01	--	--
2007	-0.01	-0.01	-0.01	-0.02	-0.05
2006	-0.02	-0.05	-0.03	-0.03	-0.12
2005	-0.02	-0.04	-0.04	-0.01	-0.10
2004	-0.01	-0.02	-0.03	-0.03	-0.10
2003	-0.03	-0.03	-0.02	-0.02	-0.10

Fiscal year ended Jun. 30. Next earnings report expected: NA

**Dividend Data**

**No Dividend Data Available**

All of the views expressed in this research report accurately reflect our quantitative research models regarding any and all of the subject securities or issuers. No part of our compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this research report. This report is for information purposes and should not be considered a solicitation to buy or sell any security. Neither S&P nor any other party guarantees its accuracy or makes warranties regarding results from its usage. S&P receives compensation from the issuer or an agent thereof for initiating coverage, and for distribution including licensed redistribution of this report, and/or for inclusion in other S&P publications, generally in amounts up to U.S. \$14,175 per year. Redistribution is prohibited without written permission.

**mPhase Technologies Inc****Business Summary** June 06, 2008

mPhase Technologies, Inc. (XDSL), in the development stage as of Mar. 31, 2008, is a technology development company. Recently, its efforts have focused primarily on the application of nanotechnology and microfluidics to improve battery performance.

The company, through its wholly owned subsidiary AlwaysReady, Inc., is developing its Smart NanoBattery, a reserve lithium battery designed for portable electronics. mPhase believes that this patented technology marks a significant advancement in the storage and management of energy. AlwaysReady has discovered a new way to separate the liquid electrolyte from the solid electrodes to keep the battery fully charged until the user activates the battery, allowing it to be stored for decades without losing energy. The company refers to the Smart NanoBattery's approach to power management as Power on Command.

According to mPhase, the Smart NanoBattery is the first reserve lithium battery with virtually infinite shelf life, automatic, manual or remote activation, and with the size and versatility to meet the needs of the emerging portable electronics industry. Its design offers environmentally friendly options and its long-term storage capabilities reduce waste that is often generated from the disposal of traditional batteries that discharge or die prior to use.

mPhase's patented AlwaysReady Smart NanoBattery first-generation product is being developed for emergency equipment and memory backup applications. There are various commercial and military applications that can benefit from the Smart NanoBattery, ranging from unmanned sensors, emergency flashlights and alarms to backup power for cell phones, and medical and health alert devices.

The rapidly emerging field of energy harvesting represents another arena of potential applications for the Smart NanoBattery. This field generally refers to the process of capturing and storing energy and encompasses a variety of sources such as solar, wind, thermal, or kinetic energy.

The development of alternative energy sources is an area of increasing interest, research, and funding. mPhase believes that the Smart NanoBattery has significant potential applications to provide supplemental power to energy-harvesting solar or piezoelectric devices when they are not able to provide energy. Since energy-harvesting devices such as solar cells depend on external occurrences such as a sunny day, they are not always available when power is needed. Because the Smart NanoBattery offers Power on Command, it provides a convenient integrated power solution, where multiple power sources can work together, building on each of their technical strengths.

mPhase is headquartered in Little Falls, New Jersey, with additional offices in Norwalk, Connecticut and New York, New York.

**Corporate Information****Investor Contact**

G. Adams (973-256-3737)

**Office**

150 Clove Road, Little Falls, NJ 07424.

**Telephone**

973-256-3737.

**Fax**

973-256-9387.

**Email**

info@mphasetech.com

**Website**

<http://www.mphasetech.com>

**Officers****Chrmn & CEO**

R.A. Durando

**COO**

G.T. Dotoli

**EVP, CFO & General Counsel**

M.S. Smiley

**Board Members**

A. Biderman

G. T. Dotoli

R. A. Durando

A. H. Guerino

V. Lawrence

M. S. Smiley

**Domicile**

New Jersey

**Auditor**

Rosenberg Rich Baker  
Berman & Company,  
Bridgewater

**Founded**

1979

**Employees**

19

**Stockholders**

18,000

## mPhase Technologies Inc

## Key Stock Statistics

Price as of Jun 20, 2008	<b>\$0.07</b>	Dividend Rate/Share	<b>Nil</b>	\$10K Invested 5 Yrs Ago	<b>\$2,467</b>	Total Shares Outstg. (M)	<b>417.5</b>
52-Wk Range	<b>\$0.14-0.04</b>	Trailing 12-Month P/E	<b>NM</b>	Beta	<b>-0.23</b>	Market Capitalization(B)	<b>\$0.031</b>
Trailing 12-Month EPS	<b>\$-0.03</b>	Tangible Book Val/Share	<b>NM</b>	Yield (%)	<b>Nil</b>	Institutional Ownership (%)	<b>0</b>

## Key Growth Rates and Averages

Past Growth Rate (%)	1 Year	3 Years	5 Years	9 Years
Sales	-84.62	-66.24	-37.90	NA
Net Income	NM	NM	NM	NM
<b>Ratio Analysis (Annual Avg.)</b>				
Net Margin (%)	NM	NM	NM	NM
% LT Debt to Capitalization	Nil	NM	NM	3.69

## Expanded Ratio Analysis

	2007	2006	2005	2004
Price/Sales	NM	37.65	12.64	5.36
Price/EBITDA	NM	NM	NM	NM
Price/Pretax Income	NM	NM	NM	NM
P/E Ratio	NM	NM	NM	NM
Avg. Diluted Shares Outstg (M)	310.4	199.6	108.7	77.7

Figures based on calendar year-end price

## Company Financials Fiscal Year Ended Jun. 30

Per Share Data (\$)	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Tangible Book Value	NM	NM	NM	NM	NM	NM	0.02	0.19	0.22	NM
Cash Flow	-0.05	-0.12	-0.08	-0.09	-0.08	-0.19	-0.68	-1.39	-1.40	-0.31
Earnings	-0.05	-0.12	-0.10	-0.10	-0.10	-0.23	-0.72	-1.41	-1.42	-0.31
Dividends	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	NA
Payout Ratio	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	NA
Prices:High	0.27	0.45	0.75	0.76	0.64	0.62	3.38	21.13	9.63	NA
Prices:Low	0.04	0.15	0.02	0.21	0.17	0.15	0.31	1.47	2.25	NA
P/E Ratio:High	NM	NM	NM	NM	NM	NM	NM	NM	NM	NA
P/E Ratio:Low	NM	NM	NM	NM	NM	NM	NM	NM	NM	NA

## Income Statement Analysis (Million \$)

Revenue	0.15	0.98	1.71	4.64	1.58	2.58	10.5	0.28	NA	NA
Operating Income	-14.9	-19.0	-11.2	-7.06	-5.22	-9.71	-22.8	-27.2	-8.20	-3.97
Depreciation	0.22	0.21	0.28	0.74	1.43	1.65	1.24	0.76	0.45	0.04
Interest Expense	0.02	0.03	0.11	0.11	0.05	Nil	Nil	Nil	0.02	Nil
Pretax Income	-16.9	-24.5	-11.2	-7.76	-6.65	-11.2	-24.0	-38.2	-22.8	-4.34
Effective Tax Rate	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM
Net Income	-16.9	-24.5	-11.2	-7.76	-6.65	-11.2	-24.0	-38.2	-22.8	-4.34

## Balance Sheet &amp; Other Financial Data (Million \$)

Cash	0.02	1.36	0.35	0.09	0.40	0.05	0.03	6.43	7.98	NA
Current Assets	1.47	1.69	1.86	2.36	3.00	4.49	5.58	7.41	8.59	NA
Total Assets	1.81	2.18	2.23	2.59	3.78	6.94	9.00	11.2	10.6	2.18
Current Liabilities	4.56	2.79	3.54	4.47	4.40	4.09	7.04	3.86	3.65	NA
Long Term Debt	Nil	Nil	0.10	0.42	1.05	1.01	Nil	Nil	Nil	Nil
Common Equity	-2.75	-0.61	-1.62	-2.92	-3.23	-0.04	1.86	7.33	6.97	-0.92
Total Capital	-2.75	-0.61	-1.52	-2.50	-2.18	0.97	1.86	7.33	6.97	-0.92
Capital Expenditures	0.11	0.34	0.12	0.10	0.07	0.03	0.71	1.35	0.28	0.03
Cash Flow	-16.7	-24.2	-11.0	-7.02	-5.22	-9.59	-22.8	-37.4	-22.4	-4.27
Current Ratio	0.3	0.6	0.5	0.5	0.7	1.1	0.8	1.9	2.4	NA
% Long Term Debt of Capitalization	Nil	Nil	NM	NM	NM	104.5	Nil	Nil	Nil	Nil
% Net Income of Revenue	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM
% Return on Assets	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM
% Return on Equity	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM

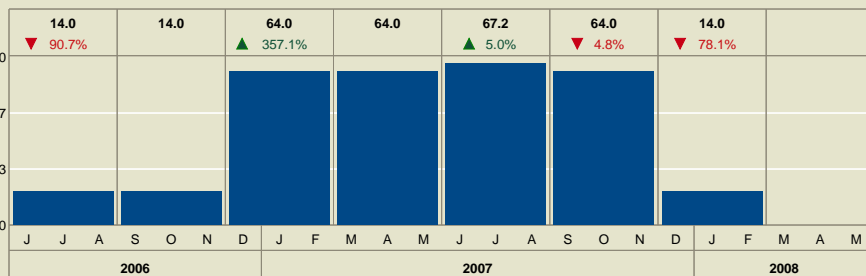
Data as orig reptd.; bef. results of disc opers/spec. items. Per share data adj. for stk. divs.; EPS diluted. E-Estimated. NA-Not Available. NM-Not Meaningful. NR-Not Ranked. UR-Under Review.

# mPhase Technologies Inc



## Institutional Holdings

Shares Held by All Institutions (000)



## Company Details

Primary Shares Outstanding (M)	417.5
Market Capitalization (M)	\$32.5
Price as of 06/19/08	\$0.08
Institutional Ownership (%)	0

## Institutional Holdings Analysis as of 05/15/08

	Holders	Shares (000)
Total Shares Held	2	16
New Positions	0	0
Increased Positions	0	0
Decreased Positions	0	0

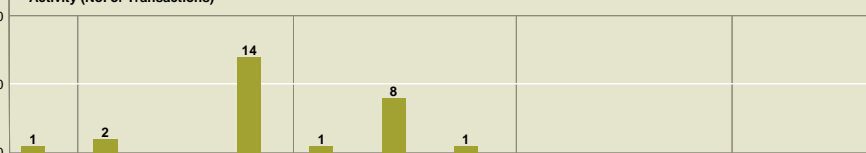
## Top Ten Institutional Holders (excluding Mutual Funds)

Holder	Reported	Shares (000)	% Shares Outg.	% Change from Prev. Period	Current Mkt. Value (000\$)
BECK, MACK & OLIVER	Mar'08	14.0	0.00	Nil	1.08
Rainier Group Investment Advisory LLC	Mar'08	1.60	0.00	Nil	0.12
<b>Total</b>		<b>15.6</b>	<b>Nil</b>	<b>Nil</b>	<b>1.20</b>

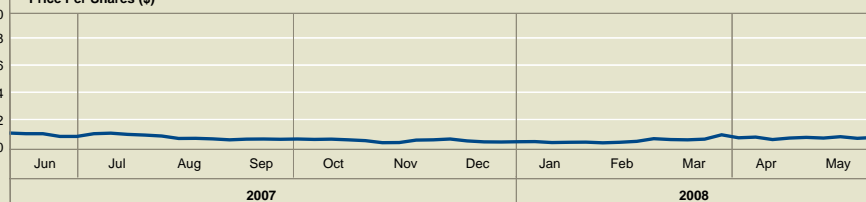
## Insider Trading Activity

Insider Buys ■ Insider Sells ■ Stock Performance —

Activity (No. of Transactions)



Price Per Shares (\$)



## Most Recent Insider Trades

Holder	Reported	Shares	
SMILEY, MARTIN S.	12/14/07	10,000	▲
DURANDO, RONALD A.	11/27/07	150,000	▲
DURANDO, RONALD A.	11/26/07	41,000	▲
DURANDO, RONALD A.	11/21/07	186,000	▲
DURANDO, RONALD A.	11/20/07	150,000	▲
DURANDO, RONALD A.	11/19/07	164,600	▲
SMILEY, MARTIN S.	11/07/07	1,000	▲
SMILEY, MARTIN S.	11/07/07	1,000	▲
SMILEY, MARTIN S.	11/07/07	1,000	▲
SMILEY, MARTIN S.	10/01/07	10,000	▲

Shares are "as reported" as of the transaction date. ▲ Buy ▼ Sell

# mPhase Technologies Inc

## Sub-Industry Outlook

In September 2007, we reduced our fundamental outlook for the S&P Electrical Components & Equipment sub-industry to neutral, from positive, in light of our outlook for near-term deceleration in EPS growth in the sub-industry. We think business in the sub-industry has been improving since the first half of 2003, when a somewhat better economy and the completion of inventory workdowns brought the sector to a trough. In our view, industry participants took aggressive steps to reduce costs and improve productivity in response to a significant drop-off in sales and earnings triggered by considerable weakness in the global economy in the early part of the decade. However, after what we view as very solid profit gains over the past few years, we believe that gains will start to decelerate in 2008. That forecast reflects what we see as strong foreign business, but a maturing cycle and likely recessionary conditions in the U.S. economy.

The Electrical Components & Equipment sub-industry consists largely of companies that produce electric cables and wires, electrical equipment, transformers, motors and generators, wiring devices, power supply systems, fuel cells and solar power systems. In our view, some of the strongest recent operating improvement in the sub-industry has been driven by increasing power demand in emerging markets, and ongoing investments by manufacturers in automation projects to improve plant efficiency. We see trends remaining similar in foreign markets (especially emerging markets) over the next year, but think softer economic conditions will slow U.S. spending in the sub-industry.

Long-term sales growth should reflect the aggressiveness of new product introduction programs and foreign expansion, in our view. With rising competition, we expect to see companies

boosting R&D efforts as they attempt to introduce leading edge products.

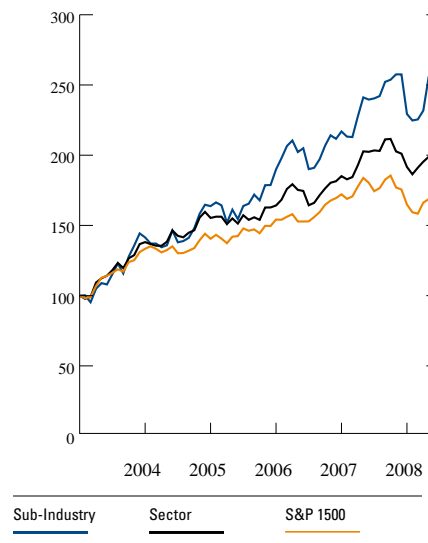
The S&P Electrical Components & Equipment Index was off 4.0% through June 13 in 2008, compared to a 6.5% decline in the S&P 1500. We see ongoing EPS growth in this sub-industry over the next few years, but after a 32% gain for the group in 2007, we forecast a deceleration to 11% in 2008. At the same time, we have a positive investment stance on the Electrical Components & Equipment group. At 16X EPS forecasts for 2008, the sub-industry is trading only slightly above the S&P 1500. However, we think a somewhat higher premium is merited, given our belief that Electrical Components & Equipment companies will post earnings growth in excess of that of S&P 1500 over the next year.

--Michael Jaffe

## Stock Performance

**GICS Sector: Industrials**  
**Sub-Industry: Electrical Components & Equipment**

Based on S&P 1500 Indexes  
Month-end Price Performance as of 05/30/08



NOTE: All Sector & Sub-Industry information is based on the Global Industry Classification Standard (GICS)

## Sub-Industry : Electrical Components & Equipment Peer Group\*: Based on market capitalizations within GICS Sub-Industry

Peer Group	Stock Symbol	Stk.Mkt. Cap. (Mil. \$)	Recent Stock Price(\$)	52 Week High/Low(\$)	Beta	Yield (%)	P/E Ratio	Fair Value Calc.(\$)	Quality Ranking	S&P IQ %ile	Return on Revenue (%)	LTD to Cap (%)
<b>mPhase Technologies</b>	<b>XDSL</b>	<b>31</b>	<b>0.07</b>	<b>0.14/0.04</b>	<b>-0.23</b>	<b>Nil</b>	<b>NM</b>	<b>NA</b>	<b>C</b>	<b>NA</b>	<b>NM</b>	<b>NA</b>
AML Communications	AMLJ	12	1.20	1.70/0.79	1.68	Nil	7	NA	NR	40	23.7	7.0
Allied Motion Tech	AMOT	41	5.60	7.89/4.01	0.10	Nil	16	NA	B-	43	2.8	9.2
Amer Security Resources	ARSC	11	0.05	0.36/0.02	NM	Nil	NM	NA	C	NA	NM	NA
Axion Power Intl	AXPW	34	1.70	3.10/1.15	NM	Nil	NM	NA	NR	4	NA	NA
Clear Skies Solar	CSKH	38	1.23	2.29/0.90	NA	Nil	NM	NA	NR	NA	NA	NA
Ecotality Inc	ETLY	20	0.16	0.70/0.11	NM	Nil	NM	NA	NR	NA	NA	NA
Electro Energy	EEEE	19	0.65	1.32/0.25	NM	Nil	NM	NA	NR	3	NM	2.2
EnerLume Energy Management	ENLU	12	0.90	2.76/0.61	1.77	Nil	NM	NA	C	2	NM	NA
Hammond Mfg*Ltd 'A'	HMM.AC	13	1.51	2.00/1.05	NA	Nil	9	NA	NR	NA	NM	24.1
Raymor Industries	RAR.C	41	0.41	1.08/0.35	NA	Nil	NM	NA	NR	NA	NM	0.6
Solar Power	SOPW	46	1.22	5.00/0.95	NA	Nil	NM	NA	NR	NA	NA	NA
Univl Power Group	UPG	23	4.62	5.12/2.45	NA	Nil	10	NA	NR	65	0.3	27.6
Valpey Fisher	VPF	17	4.00	6.15/3.80	0.43	Nil	16	NA	C	39	2.7	NA
ZBB Energy	ZBB	42	3.95	6.00/1.50	NA	Nil	NM	NA	NR	24	NA	NA

NA-Not Available NM-Not Meaningful NR-Not Rated. \*For Peer Groups with more than 15 companies or stocks, selection of issues is based on market capitalization.

## **mPhase Technologies Inc**

---

### **S&P Analyst Research Notes and other Company News**

#### **December 5, 2007**

mPhase Technologies Inc. announced the appointment of Mr. Gerard R. Adams as Managing Director of Investor Relations. The objective of hiring Mr. Adams is two-fold. First, to create effective communication between mPhase Technologies, its 18,000 shareholders, and the investment community. Second, Mr. Adams will be responsible for raising mPhase Technologies awareness amongst retail investors for the purpose of attracting new and prospective shareholders.

#### **November 26, 2007**

Mr. Necdet F. Ergul has retired from the Board of Directors of mPhase Technologies Inc. effective November 2, 2007.

# mPhase Technologies Inc

## Glossary

### Quantitative Evaluations

In contrast to our qualitative STARS recommendations, which are assigned by S&P analysts, the quantitative evaluations described below are derived from proprietary arithmetic models. These computer-driven evaluations may at times contradict an analyst's qualitative assessment of a stock. One primary reason for this is that different measures are used to determine each. For instance, when designating STARS, S&P analysts assess many factors that cannot be reflected in a model, such as risks and opportunities, management changes, recent competitive shifts, patent expiration, litigation risk, etc.

### S&P Quality Ranking

Growth and stability of earnings and dividends are deemed key elements in establishing S&P's Quality Rankings for common stocks, which are designed to encapsulate the nature of this record in a single symbol. It should be noted, however, that the process also takes into consideration certain adjustments and modifications deemed desirable in establishing such rankings. The final score for each stock is measured against a scoring matrix determined by analysis of the scores of a large and representative sample of stocks. The range of scores in the array of this sample has been aligned with the following ladder of rankings:

A+	Highest	B	Below Average
A	High	B-	Lower
A-	Above Average	C	Lowest
B+	Average	D	In Reorganization
NR	Not Ranked		

### S&P Fair Value Rank

Using S&P's exclusive proprietary quantitative model, stocks are ranked in one of five groups, ranging from Group 5, listing the most undervalued stocks, to Group 1, the most overvalued issues. Group 5 stocks are expected to generally outperform all others. A positive (+) or negative (-) Timing Index is placed next to the Fair Value ranking to further aid the selection process. A stock with a (+) added to the Fair Value Rank simply means that this stock has a somewhat better chance to outperform other stocks with the same Fair Value Rank. A stock with a (-) has a somewhat lesser chance to outperform other stocks with the same Fair Value Rank. The Fair Value rankings imply the following:

- 5-Stock is significantly undervalued
- 4-Stock is moderately undervalued
- 3-Stock is fairly valued
- 2-Stock is modestly overvalued
- 1-Stock is significantly overvalued

### S&P Fair Value Calculation

The price at which a stock should trade at, according to S&P's proprietary quantitative model that incorporates both actual and estimated variables (as opposed to only actual variables in the case of S&P Quality Ranking). Relying heavily on a company's actual return on equity, the S&P Fair Value model places a value on a security based on placing a formula-derived price-to-book multiple on a company's consensus earnings per share estimate.

### Insider Activity

Gives an insight as to insider sentiment by showing whether directors, officers and key employees who have proprietary information not available to the general public, are buying or selling the company's stock during the most recent six months.

### Funds From Operations (FFO)

FFO is Funds from Operations and equal to a REIT's net income, excluding gains or losses from sales of property, plus real estate depreciation.

### Volatility

Rates the volatility of the stock's price over the past year.

### Technical Evaluation

In researching the past market history of prices and trading volume for each company, S&P's computer models apply special technical methods and formulas to identify and project price trends for the stock.

### Relative Strength Rank

Shows, on a scale of 1 to 99, how the stock has performed versus all other companies in S&P's universe on a rolling 13-week basis.

### Global Industry Classification Standard (GICS)

An industry classification standard, developed by Standard & Poor's in collaboration with Morgan Stanley Capital International (MSCI). GICS is currently comprised of 10 Sectors, 24 Industry Groups, 67 Industries, and 147 Sub-Industries.

### Exchange Type

ASE - American Stock Exchange; NNM - Nasdaq National Market; NSC - Nasdaq SmallCap; NYSE - New York Stock Exchange; BB - OTC Bulletin Board; OT - Over-the-Counter; TO - Toronto Stock Exchange.