NUWAVE TECHNOLOGIES INC
Form SB-2/A
August 28, 2002

As filed with the Securities and Exchange Commission on August 28, 2002.

REGISTRATION NO. 333-92234

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

PRE-EFFECTIVE AMENDMENT NO. 1
FORM SB-2
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

NUWAVE TECHNOLOGIES, INC.
(NAME OF SMALL BUSINESS ISSUER IN ITS CHARTER)

DELAWARE	3663	22-3387630
(STATE OR JURISDICTION OF INCORPORATION OR ORGANIZATION)	(PRIMARY STANDARD INDUSTRIAL CLASSIFICATION CODE NUMBER)	(I.R.S. EMPLOYER IDENTIFICATION NO.)

ONE PASSAIC AVENUE
FAIRFIELD, NEW JERSEY 07004
(973) 882-8810
(ADDRESS AND TELEPHONE NUMBER OF PRINCIPAL EXECUTIVE OFFICES AND PRINCIPAL PLACE OF BUSINESS)

GERALD ZARIN
CHAIRMAN OF THE BOARD OF DIRECTORS, PRESIDENT AND CHIEF EXECUTIVE OFFICER
NUWAVE TECHNOLOGIES, INC.
ONE PASSAIC AVENUE
FAIRFIELD, NEW JERSEY 07004
(973) 882-8810
(NAME, ADDRESS AND TELEPHONE NUMBER OF AGENT FOR SERVICE)

COPIES TO:
BRUCE A. RICH, ESQ.
THELEN REID & PRIEST LLP
40 WEST 57TH STREET
NEW YORK, NEW YORK 10019
(212) 603-2000

APPROXIMATE DATE OF PROPOSED SALE TO THE PUBLIC:
from time to time after the effective date of this Registration Statement as determined by market conditions and other factors.

IF THIS FORM IS FILED TO REGISTER ADDITIONAL SECURITIES FOR AN OFFERING PURSUANT TO RULE 462(B) UNDER THE SECURITIES ACT, CHECK THE FOLLOWING BOX AND LIST THE SECURITIES ACT REGISTRATION STATEMENT NUMBER OF THE EARLIER EFFECTIVE REGISTRATION STATEMENT FOR THE SAME OFFERING. [ ] _______________

IF THIS FORM IS A POST-EFFECTIVE AMENDMENT FILED PURSUANT TO

RULE 462(C) UNDER THE SECURITIES ACT, CHECK THE FOLLOWING BOX AND LIST THE SECURITIES ACT REGISTRATION STATEMENT NUMBER OF THE EARLIER EFFECTIVE REGISTRATION STATEMENT FOR THE SAME OFFERING. [ ] _______________

IF THIS FORM IS A POST-EFFECTIVE AMENDMENT FILED PURSUANT TO RULE 462(D) UNDER THE SECURITIES ACT, CHECK THE FOLLOWING BOX AND LIST THE SECURITIES ACT REGISTRATION STATEMENT NUMBER OF THE EARLIER EFFECTIVE REGISTRATION STATEMENT FOR THE SAME OFFERING. [ ] _______________

IF DELIVERY OF THE PROSPECTUS IS EXPECTED TO BE MADE PURSUANT TO RULE 434, CHECK THE FOLLOWING BOX. [ ] _______________

CALCULATION OF REGISTRATION FEE

TITLE OF EACH CLASS OF SECURITIES TO BE REGISTERED	AMOUNT TO BE REGISTERED	PROPOSED MAXIMUM OFFERING PRICE PER UNIT	PROPO AGGREG
Common Stock, par value $.01 per share (1)	1,915,451$0.30	$574,635	
Common Stock, par value $.01 per share, underlying certain Common Stock Purchase Warrants (2)	680,000$1.00	$680,000	
Common Stock, par value $.01 per share, underlying Placement Agent Unit Warrants (3)	1,133,894$3.95	$4,478,881	
Total	3,729,345		

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

SUBJECT TO COMPLETION, DATED AUGUST 28, 2002

PROSPECTUS

3,729,345 Shares of Common Stock
par value $.01 per share
NUWAVE TECHNOLOGIES, INC.

This prospectus relates to the sale of up to 3,729,345 shares of NUWAVE Technologies, Inc.'s common stock by certain persons who are stockholders of

NUWAVE. Please refer to "Selling Stockholders" beginning on page 29.

The selling stockholders will be offering the shares of common stock at prevailing market prices in public transactions on the Over the Counter Bulletin Board or other market where the shares are then traded while this prospectus is effective or in privately negotiated transactions. No period of time has been fixed within which the shares may be offered or sold, and no minimum number of shares are to be sold. The prices will fluctuate based on the demand for the shares of common stock.

The stockholders of NUWAVE Technologies, Inc. listed elsewhere in this prospectus are offering:

- up to 1,915,451 presently outstanding shares of Common Stock held by them;
- up to 680,000 shares of Common Stock underlying presently outstanding Common Stock Purchase Warrants held by them; and
- up to 1,133,894 shares of Common Stock underlying presently outstanding placement agent unit purchase warrants held by them.

We will not receive any proceeds from the sale of the common stock; however, we will receive proceeds in the amount of approximately $655,668 upon the exercise of warrants by the selling stockholders. We have agreed to pay for all expenses of this offering.

The selling stockholders and any participating broker-dealers may be deemed to be "underwriters" within the meaning of the Securities Act of 1933, and any commissions or discounts given to any such broker-dealer may be regarded as underwriting commissions or discounts under the Securities Act of 1933.

Brokers or dealers effecting transactions in the shares should confirm the registration of these securities under the securities laws of the states in which transactions occur or the existence of an exemption from registration.

Our common stock is traded on the Over the Counter Bulletin Board under the symbol "WAVE." On August 22, 2002, the closing price of our common stock was $0.25.

INVESTING IN THE COMMON STOCK INVOLVES SUBSTANTIAL RISKS. SEE "RISK FACTORS" BEGINNING ON PAGE 4.

	PRICE TO PUBLIC*	PROCEEDS TO SELLING STOCKHOLDERS
Per share	$0.25	$0.25
TOTAL		$932,336

* For purposes of this table, we have assumed a market price of $0.25 per share of common stock, the closing price on August 22, 2002.

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

The date of this prospectus is August ___, 2002.

RED HERRING:

The information in this prospectus is not complete and may be changed. The selling shareholders may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

TABLE OF CONTENTS

YOUR RELIANCE ON INFORMATION CONTAINED IN THIS PROSPECTUS

In deciding whether to invest in our securities, you should rely on the information contained in this prospectus. We have not authorized anyone to provide you with information different from that contained in this prospectus. The selling stockholders are offering to sell, and seeking offers to buy, shares of common stock only in jurisdictions where offers and sales are permitted. The information contained in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or of any sale of the securities. You must not consider that the delivery of this prospectus or any sale of the securities covered by this prospectus implies that there has been no change in our affairs since the date of this prospectus or that the information contained in this prospectus is current or complete as of any time after the date of this prospectus.

PROSPECTUS SUMMARY

The following summary information is qualified in its entirety by the information contained elsewhere in this prospectus. You should read the entire prospectus, including "Risk Factors" and the financial statements before making an investment decision.

NUWAVE

GENERAL

During the second half of 2001, we began commercializing our patented technologies, having been a development stage enterprise since our organization in July 1995. Our mission is to identify, develop and commercialize high-margin, proprietary technologies suited for high-volume, high-growth markets and, in turn, achieve attractive long-term growth for our company. Our focus to date has been and continues to be on unique technology related to image and video enhancement designed to enrich picture and video output with clearer, more defined detail in texture, color, contrast and tone, at low cost. Our initial products can be used by original equipment manufacturers ("OEM's") for placement into products that produce images on display screens such as televisions or DVD players, for supplementing and increasing video quality on existing television monitors and video displays via set-top boxes containing our technology, and by individuals over the Internet for improving their personal photographs. Our patented high speed filtering technology removes approximately 70% of the picture noise while retaining correct focus (the image and text in the image does not blur). The three product lines based upon our proprietary technology are: (1) the NUWAVE Video Processor ("NVP") Technology; (2) retail products; and (3) digital filtering technology.

NVP Technology

The first technologies we are commercializing are in the fields of photo and video-enhancement. We have developed proprietary video-enhancement technology designed to significantly enhance video output devices with clearer, sharper details and more vibrant colors when viewed on the display screen. This is known as the NUWAVE Video Processor ("NVP") technology. We are marketing this technology in the form of ASIC chips ("Application Specific Integrated Circuits") directly to OEM's, who by incorporating this enabling technology would improve picture quality in their televisions, VCR's, DVD's, camcorders, set-top boxes and other video output devices. This technology can also be licensed to the OEM for incorporation onto their own ASIC design. The completed NVP 104 plastic (silicon) chip is currently being offered for sale. In July 2002, we introduced a step-up ASIC chip, the "NVP 1104," which will be produced at not only a lower cost for both NUWAVE and the potential OEM but should also allow for easier design implementation for the OEM.

Retail Products

During 2001, we completed development of the VGE set-top box for use with video games and DVD's. This is our first retail product utilizing the NVP ASIC chip. The VGE is a low-cost video game enhancer that provides home video "gamers" with better video quality, to give game players an "edge" to improve their scores. We know of no competitive device that is capable of similarly enhancing a video game.

In late June 2001, we began introducing the VGE 101 through select distributors and manufacturer representatives for placement in nationally known retail chains. In December, we entered into a strategic alliance with Gemini Industries ("Gemini"), a leading manufacturer and distributor of consumer electronics accessories. Gemini was granted a five-year exclusive license to market and distribute NUWAVE's VGE in North America. The Gemini alliance supports our strategy to obtain access to an established domestic retail distribution channel for the specialized image enhancement products we develop. Additionally, it allows us to allocate our time and resources away from costly retail marketing and distribution processes, to focus on the developing innovative technologies and products for license to third parties with established marketing and distribution channels. The Gemini relationship should reduce our sales and marketing costs and the need for an inventory build-up. We plan to introduce a line of several additional set top box video enhancement products to the retail marketplace during 2002.

Digital Software Technology

During 2000, we completed the initial development of our first proprietary digital photo and video software technology and launched the PicturePrep(TM) 2000 product line. The initial PicturePrep technology was developed at the height of the recent Internet frenzy for direct sale to consumers. With the downturn in the Internet boom we refocused our digital technology direction to licensing it to OEMs. In March 2001, this software was upgraded to PicturePrep(TM) Deluxe 2001 with new file management and uploading capabilities. In October 2001, the digital filters used in PicturePrep Deluxe were granted patent protection by the U.S. Patent Office. These filters remove graininess and digital artifacts while preserving proper focus better than any other "real time" filters that are on the market today. In April 2002, we signed an agreement with Sony Corporation, giving Sony the non-exclusive right to use one of our filters in its digital color printers, in return for a nominal one-time licensing fee.

We are concentrating our activities primarily on the sales of our ASIC line of chips, the introduction and sales of our digital software technology and our Internet presence to the OEM and professional video markets, the introduction of additional video and image enhancement set-top boxes for retail distribution and on the continuing development of our European sales presence.

We believe this focused digital and analog image enhancement product strategy will provide our company with a technology base, product line and services we can offer to potential customers. This positions us to take full advantage of the significant video and photo growth opportunity presented by the converging PC, Internet, television, HDTV and telecommunication markets. We believe that the capacity of our administrative and support systems is sufficient to allow us to expand our business without significant additional capital expenditures.

Although we anticipate deriving increased revenues from the sale of our ASIC chips and retail products and the licensing of our proprietary digital software during 2002, no assurance can be given that these products will be successfully marketed or that losses will not continue to occur during such period. See "Liquidity and Capital Resources."

PRINCIPAL EXECUTIVE OFFICES

Our principal executive offices are located at One Passaic Avenue, Fairfield, New Jersey 07004. You can reach our principal executive offices by telephone at (973) 882-8810 or by Internet at www.nuwaveinc.com.

THE OFFERING

SECURITIES OFFERED

This prospectus relates to the offer and sale by certain stockholders listed elsewhere in this prospectus of:

- up to 1,915,451 presently outstanding shares of Common Stock held by them;

- up to 680,000 shares of Common Stock underlying presently outstanding Common Stock Purchase Warrants held by them; and

o up to 1,133,894 shares of Common Stock underlying presently outstanding placement agent unit purchase warrants held by them.

SECURITIES OUTSTANDING

At August 13, 2002, we had the following public securities outstanding:

Shares of Common Stock................................	13,556,197
Class A Warrants..	2,057,207
Class B Warrants..	1,044,304

Our common stock is traded on the OTC:BB under the symbol "WAVE."

USE OF PROCEEDS

We will not receive any proceeds from the sale of the common stock or the common stock purchase warrants or unit purchase warrants sold by the selling stockholders listed elsewhere in this prospectus.

2

However, 1,813,894 shares of common stock covered by this prospectus underlie warrants, which are exercisable variously between May 11, 2003, and February 27, 2007. We will receive proceeds upon the exercise of those Warrants, assuming an exercise for cash. In order to receive one share of common stock, the holders of the warrants must pay us variously from $0.30 to $3.95 and surrender one warrant, subject to anti-dilution rights therein. We anticipate that we will receive approximately $655,668 if all of these warrants are exercised. There is no assurance that any or all of the common stock purchase warrants or the unit warrants will be exercised. We will use the proceeds for general working capital purposes.

RISK FACTORS

Investing in our securities involves a high degree of risk. You should read the disclosures we make beginning on page 4 under the heading "Risk Factors" in considering whether to invest in our common stock.

SUMMARY FINANCIAL AND OPERATING INFORMATION

This summary information below is from and should be read with the financial statements, and the notes to the financial statements, elsewhere in this prospectus.

	SIX MONTHS ENDED JUNE 30,		YEAR ENDED DECEM	
STATEMENT OF OPERATIONS DATA	2002	2001	2001	2000
Revenues:				
Sales less cost	$ 133,000	$ 44,000	$ 197,000	$ 10,000
Operating Expenses:				
Research and development ..	$ (469,000)	$ (512,000)	$ (1,165,000)	$ (1,183,000)
General and administration				

expenses	$ (1,237,000)	$ (1,312,000)	$ (3,699,000)	$ (3,314,000)
Other Income (Expense)	$ 4,000	$ 65,000	$ 76,000	$ 264,000
(Provision) Benefit for income tax	--	--	$ 318,000	$ (66,000)
Loss	$ (1,569,000)	$ (1,715,000)	$ (4,273,000)	$ (4,289,000)
Net Loss Per Share	$ (0.13)	$ (0.16)	$ (0.40)	$ (0.42)
Weighted average number of common shares outstanding .	12,151,007	10,557,729	10,749,404	10,135,345

BALANCE SHEET DATA	JUNE 30, 2002	DECEMBER 31, 2001	
Cash and cash equivalents............	$ 323,000	$ 1,011,000	$
Total Assets.........................	$ 1,133,000	$ 2,133,000	$
Total Current Liabilities............	$ 562,000	$ 846,000	$
Total Stockholders' Equity...........	$ 571,000	$ 1,287,000	$

3

RISK FACTORS

You should consider the following factors and other information in this prospectus relating to our business and prospects before deciding to invest in the securities. This investment involves a high degree of risk, and you should purchase the securities only if you can afford to lose the entire sum invested in these securities. If any of the following risks actually occurs, our business, financial condition or operating results could be materially adversely affected. In such case, the trading price of our common stock could decline, and you may lose all or part of your investment.

The following factors, among others, could cause actual results to differ materially from those contained in forward-looking statements made in this prospectus and presented elsewhere by management from time to time.

COMPANY RISKS

WE HAVE PRIMARILY BEEN A DEVELOPMENT STAGE ENTERPRISE WITH ONLY A LIMITED OPERATING HISTORY.

Until June 2001, we were a development stage enterprise. At that time we shifted to commercialization and thus have had only a limited operating history. Since our inception in July 1995, we have been engaged primarily in raising funds and directing, supervising, and coordinating the activities of our Advanced Engineering Group, made up of our own employees and third-party consultants who work with us on a project-by-project basis, in the continuing development of the NUWAVE Video Processor ("NVP") Technology, retail products utilizing the NVP technology and our digital image enhancement software filters.

During the second half of 2001 we began producing and selling the NVP Video Processor in an ASIC ("Application Specific Integrated Chip") format for the OEM market and our first set-top box product utilizing the NVP technology the VGE for the retail market (see "Business - Marketing and Sales"). Although we have experienced some early success with these products, our prospects must be considered in light of the risks associated with the establishment of a new and small capitalized business in the evolving electronic video industry. In our case this is particularly so, as further risks will be encountered in our shift from the development to the commercialization of new products based on innovative technology. There can be no assurance that we will be able to generate significant revenues or achieve profitable operations.

WE HAVE A HISTORY OF INCURRING LOSSES AND WE ANTICIPATE THAT WE WILL CONTINUE TO INCUR LOSSES.

To date, we have received only limited revenue from the sale of our products. There can be no assurance that our technology and products will be able to compete successfully in the marketplace and/or generate significant revenue. We have incurred significant costs in connection with the development of our technologies and proposed products and there is no assurance that it will achieve sufficient revenues to offset anticipated operating costs. As of March 31, 2002, we had an accumulated deficit of approximately $25.0 million. Although we anticipate deriving revenues from the sale of our VGE and NVP (Video Processor) and related products and digital software products, no assurance can be given that these products will be successfully marketed. Management anticipates that we may continue to incur losses for at least the next twelve months. Included in such former and future losses are research and development expenses, marketing costs, and general and administrative expenses. We anticipate that our losses will continue until we are able to generate sufficient revenues to support our operations.

OUR CONTINUED DEVELOPMENT EFFORTS AND FUTURE GROWTH DEPEND UPON OUR ABILITY TO RAISE ADDITIONAL CAPITAL WHICH MAY NOT BE AVAILABLE TO US WHEN NEEDED OR ON ACCEPTABLE TERMS.

Our capital requirements in connection with our development activities have been significant. We have been dependent upon the proceeds of sales of our securities to private investors to fund our initial development activities. Since our initial public offering in July 1996, we have obtained needed capital through private placements of our securities. We anticipate, based on our current proposed plans and assumptions relating to our operations, that we will require additional capital in order to implement our business plan (see "Liquidity and Capital Resources and Plan of Operation"). On April 15, 2002, we entered into a $3.0 million Equity Line of Credit with Cornell Capital Partners, L.P., pursuant to which we may, at our option, require Cornell Capital to purchase shares of our common stock having an aggregate sale price of up to a maximum of $3.0 million over a two year period dating from May 31, 2002. The shares of stock issued or issuable under the Equity Line of Credit were registered in a prior registration statement. The Equity Line of Credit Agreement was amended and restated as of May 17, 2002. As of

August 13, 2002, we had not requested any amounts to be advanced under the Equity Line of Credit. On August 20, 2002, we received a loan from Cornell Capital in the amount of $300,000 which the Company intends to repay at the rate of approximately $30,000 per week from the proceeds of puts under the equity line over the next three months. In their report of the audit of NUWAVE's financial statements for the year ended December 31, 2001, our independent auditors included an explanatory paragraph in their report because of the uncertainty that we could continue in business as a going concern. In the event we are unable to complete the sale of our common stock pursuant to this equity line of credit, there would be substantial doubt about our ability to continue as a going concern. To the extent that any future financing involves the sale of our equity securities, our existing stockholders could be substantially diluted.

WE DEVELOP TECHNOLOGY AND PRODUCTS USING NEW CONCEPTS, SO THERE IS UNCERTAINTY ABOUT MARKET ACCEPTANCE OF OUR PRODUCTS, AND WE HAVE LIMITED MARKETING EXPERIENCE.

We develop technology and products using new concepts and designs in video imagery and processing. Our prospects for success will depend on our ability to successfully sell our products to key manufacturers and distributors who may be inhibited from doing business with us because of their commitment to their own technologies and products or because of our relatively small size and lack of sales and production history. As a result, demand and market acceptance for our technology and products are subject to a high level of uncertainty. We currently have limited financial, personnel and other resources to undertake the extensive marketing activities that will be necessary to market our technology and products once their development is completed. No assurance can be given that any of our potential customers will enter into any arrangements with us. Further, there is no assurance that our marketing efforts will be successful.

WE DEPEND ON THE MANUFACTURERS OF PRODUCTS WHO WISH TO INCLUDE OUR NVP VIDEO PROCESSOR TO MAKE DESIGN MODIFICATIONS NECESSARY TO INCORPORATE OUR TECHNOLOGY INTO THEIR PRODUCTS.

Commercialization of the NVP Video Processor and sale to manufacturers of the relevant video equipment will require such manufacturers to adopt new circuit configurations to accommodate the relevant chip in their products. Although the NVP Video Processor meets the various video broadcast standards, we anticipate that manufacturers wishing to use the NVP Video Processor will make such modifications because of the benefits derived from the improved performance of their products and the relative simplicity of such modifications. However, there is no assurance that such modifications will be made. Also, the cost of such modifications may inhibit or prevent their adoption. Our ability to sell and/or license our products would be adversely affected if designers and manufacturers fail to make such modifications.

WE WILL RELY ON OTHERS TO MANUFACTURE OUR DEVICES, AND WE MAY NOT BE ABLE TO MEET CUSTOMER DEMAND IF OUR SUPPLIERS CANNOT MEET OUR QUANTITY AND QUALITY REQUIREMENTS.

We do not plan to directly manufacture any of our products. We contract with third parties to manufacture our NVP Video Processor and related retail products. We may also license to third parties the rights to manufacture our products, either through direct licensing, original equipment manufacturer arrangements or otherwise.

We are dependent on third parties to manufacture our NVP ASIC (the application specific integrated circuit-based NVP Video Processor) and related products as well as future products we may choose to commercialize. There can be no assurance that our current suppliers will dedicate sufficient production capacity to satisfy our requirements within scheduled delivery times, or at all. Failure or delay by our suppliers in fulfilling our anticipated needs would have an adverse effect on our ability to develop and market our products. In addition, we will be dependent on third-party vendors for many of the components necessary for the final assembly of our products. We may have difficulty in obtaining contractual agreements with suppliers of these materials due to, among other things, possible material shortages or possible lack of adequate purchasing power. While our management believes that these components are available from multiple sources, it is anticipated that we will obtain certain of them from a single source, or limited number of sources, of supply. In the event that certain of these suppliers are unable or unwilling to provide us with these components on commercially reasonable terms, or at all, delays in securing alternative sources of supply would result and could have a material adverse effect on our operations.

COMPETITION

Intense competition exists in the markets that we are in. Further, with respect to the market for video editing, video production and video processing products, significant price erosion over the life of a product exists. Our products will directly compete with those of numerous well-established companies, including the following companies, which design, manufacture and/or market video technology and other products: Sony Electronics, Inc., Panasonic Division of Matsushita Electric Industrial Co., Motorola, Inc., Mitsubishi International Corp., and Royal Philips Electronics, NV.

All of the above companies have substantially greater financial, technical, personnel and other resources than we do for production and innovation of products, and for marketing and sales. Further, each has established a reputation for success in the development, licensing, sale and service of its products and technology. In addition, certain of these competitors dominate their industries and have the necessary financial resources to enable them to withstand substantial price competition or downturns in the market for video products.

OUR INDUSTRY IS CHARACTERIZED BY RAPID TECHNOLOGICAL CHANGES AND AGGRESSIVE COMPETITION.

Rapid changes characterize the markets for our technology and products. Further, evolving industry standards often result in product obsolescence or short product life cycles. Certain companies may be developing technologies or products which may be functionally similar, or superior, to some or all of our proposed products. As a result, our ability to compete will depend on our ability to, among other things: complete development and introduce to the marketplace in a timely and cost-competitive manner our products and technology; continually enhance and improve our products and technology; adapt our products to be compatible with specific products manufactured by others; and successfully develop and market new products and technology.

There is no assurance that we will be able to compete successfully or that our competitors will not develop similar or competitive technologies or products that render our products and technology obsolete or less marketable. Further, there is no assurance that we will be able to successfully enhance our proposed products or technology or adapt them satisfactorily.

TO THE EXTENT PRACTICABLE, WE HAVE FILED U.S. PATENTS AND/OR COPYRIGHT APPLICATIONS, BUT THERE IS NO ASSURANCE THAT ANY PATENT OR COPYRIGHT WILL AFFORD US COMMERCIALLY SIGNIFICANT PROTECTION.

To the extent practicable, we have filed and intend to file U.S. patents and/or copyright applications for certain of our proposed products and technology. We have also filed and intend to file corresponding applications in key industrial countries worldwide.

In April 1996, we filed two patent applications on behalf of Rave

Engineering Corp. for its Randall connector system. One patent was received in November 1997 and the second one in January 1998. Under the terms of the settlement agreement with Rave, we retain the exclusive license rights to these patents. In April 1998, we filed three patent applications for certain of our independently developed products: one for the NUWAVE Video Processor and two for the Softsets. These patents were granted in November 2000, February 2001 and May 2001, respectively. In August 1999, we filed a patent application for our digital software technology as used in PicturePrep product line. This patent was granted in October 2001. There is no assurance that any patent will afford us with commercially significant protection of our technology or that we will have adequate resources to enforce our patents.

Management believes that the products we intend to market and sell do not infringe the patents or other proprietary rights of third parties. Further, we are not aware of any patents held by competitors that will prevent, limit or otherwise interfere with our ability to make and sell our products. However, it is possible that competitors may have applied for, or may in the future apply for and obtain, patents which have an adverse impact on our ability to make and sell our products. There is no assurance that competitors will not infringe our patents. Defense and prosecution of patent suits, even if successful, are both costly and time consuming. An adverse outcome in the defense of a patent suit could subject us to significant liabilities to third parties, require disputed rights to be licensed from third parties or require us to cease selling our products.

NO DIVIDENDS

We have not paid any cash dividends to date. Payment of dividends on our common stock is within the discretion of our board of directors and will depend upon having earnings and our capital requirements and financial condition, and other relevant factors. We do not intend to declare any dividends on our common stock in the foreseeable future. Instead, we plan to retain any earnings we receive for development of our business operations.

LIMITATION ON TAX LOSS CARRYFORWARDS

As of December 31, 2001, we had available unused net operating loss carryforwards aggregating approximately $23.1 million to offset future federal taxable income. The unused net operating loss carryforwards expire in various years from 2010 to 2021. Under Section 382 of the Internal Revenue Code of 1986, utilization of prior net operating loss carryforwards is limited after an ownership change. We may be subject to limitations on the use of our net operating loss carryforwards as provided under Section 382 by reason of prior placements of our securities and future transactions. Accordingly, there can be no assurance that a significant amount of the existing net operating loss carryforwards will be available to use. In the event that we achieve profitability, as to which there can be no assurance, such limitation would have the effect of increasing our tax liability and reducing our net income and available cash resources in the future.

INDEMNIFICATION AND LIMITATION ON LIABILITY OF DIRECTORS AND OFFICERS

Our company's certificate of incorporation provides that we will indemnify any of our directors, officers, employees or agents against actions, suits or proceedings relating to our company and, subject to certain limitations, a director shall not be personally liable for monetary damages for breach of his duty of care. In addition, we have entered into an indemnification agreement with each of our directors. Such indemnification agreement provides that a director is entitled to indemnification to the fullest extent permitted by law.

WE MUST ATTRACT AND RETAIN KEY PERSONNEL IN ORDER TO REMAIN COMPETITIVE WHICH MAY BE DIFFICULT GIVEN OUR SMALL SIZE AND LIMITED RESOURCES COMPARED TO MANY OF OUR COMPETITORS.

Our operations depend largely on the continued employment of Mr. Gerald Zarin, Chairman of the Board, President and Chief Executive Officer. If Mr. Zarin or other members of management or key personnel resign or otherwise leave our company, our business and financial condition could be materially adversely affected.

PROVISIONS IN THE EMPLOYMENT CONTRACT OF OUR PRESIDENT AND IN THE SEVERANCE AGREEMENTS OF OUR EXECUTIVE OFFICERS ARE TRIGGERED BY A CHANGE IN CONTROL, WHICH ALSO COULD DISCOURAGE UNSOLICITED TAKEOVER ATTEMPTS.

Provisions in the employment contract of our President and in the severance agreement of one executive officer providing for various termination benefits are triggered by certain changes in control of our company. Such provisions could have the effect of discouraging, delaying or preventing unsolicited takeover attempts.

PROVISIONS IN OUR COMPANY'S CERTIFICATE OF INCORPORATION COULD DISCOURAGE UNSOLICITED TAKEOVER ATTEMPTS WHICH COULD DEPRESS THE MARKET PRICE OF OUR COMMON STOCK.

Provisions of our company's certificate of incorporation and by-laws and of Delaware law could discourage potential acquisition proposals and could delay or prevent a change in control. Such provisions could diminish the opportunities for a stockholder to participate in tender offers, including tender offers at a price above the then-current market value of our common stock. Such provisions may also inhibit fluctuations in the market price of our common stock that could result from takeover attempts. In addition, our board of directors, without further stockholder approval, may issue preferred stock that could have the effect of delaying or preventing a change in control. The issuance of preferred stock could also adversely affect the voting power of the holders of common stock, including the loss of voting control to others.

MARKET PRICE FLUCTUATIONS

The trading price of our common stock may be subject to wide fluctuations in response to quarter-to-quarter variations in operating results, general conditions in the computer, video and telecommunications industries, changes in earnings estimates, recommendations by analysts and other events.

OUR COMMON STOCK HAS BECOME SUBJECT TO "PENNY STOCK" RESTRICTIONS UNDER FEDERAL SECURITIES LAWS, WHICH COULD REDUCE THE LIQUIDITY OF OUR COMMON STOCK.

The Securities and Exchange Commission has adopted regulations, which generally define penny stocks to be an equity security that has a market price less than $5.00 per share or an exercise price of less than $5.00 per share, subject to certain exemptions. On August 22, 2002, the closing bid price for our common stock, as quoted on the Over the Counter Bulletin Board, was $0.25 per share and therefore, our common stock is designated a "Penny Stock." As a penny stock, our common stock may become subject to Rule 15g-9 under the Exchange Act or the Penny Stock Rule. This rule imposes additional sales practice requirements on broker-dealers that sell such securities to persons other than established customers and "accredited investors" (generally, individuals with a net worth in excess of $1,000,000 or annual incomes exceeding $200,000, or $300,000 together with their spouses). For transactions covered by Rule 15g-9, a broker-dealer must make a special suitability determination for the purchaser and have received the purchaser's written consent to the transaction prior to sale. As a result, this rule may affect the ability of broker-dealers to sell our securities and may affect the ability of purchasers to sell any of our securities in the secondary market.

For any transaction involving a penny stock, unless exempt, the rules require delivery, prior to any transaction in a penny stock, of a disclosure schedule prepared by the Securities and Exchange Commission relating to the penny stock market. Disclosure is also required to be made about sales commissions payable to both the broker-dealer and the registered representative and current quotations for the securities. Finally, monthly statements are required to be sent disclosing recent price information for the penny stock held in the account and information on the limited market in penny stock.

The penny stock restrictions will no longer apply to our common stock if we attain $2,000,000 minimum net tangible assets and a $1.00 per share market price. In any event, even if our common stock were exempt from the penny stock restrictions, we would remain subject to Section 15(b)(6) of the Exchange Act, which gives the Securities and Exchange Commission the authority to restrict any person from participating in a distribution of penny stock, if the Securities and Exchange Commission finds that such a restriction would be in the public interest.

OFFERING RISKS

OUR COMMON STOCK HAS BEEN RELATIVELY THINLY TRADED AND WE CANNOT PREDICT THE EXTENT TO WHICH A TRADING MARKET WILL DEVELOP.

Our common stock has been traded on the Over the Counter Bulletin Board ("OTC:BB") since August 13, 2002. Prior to that date, our common stock was traded on the Nasdaq SmallCap Market, from which it was delisted for not meeting the minimum requirements for continued listing. Our common stock is thinly traded compared to larger more widely known companies in our industry. Thinly traded common stock can be more volatile than common stock trading in an active public market. We cannot predict the extent to which an active public market for the common stock will develop or be sustained after this offering.

FUTURE SALES BY OUR STOCKHOLDERS MAY ADVERSELY AFFECT OUR STOCK PRICE AND OUR ABILITY TO RAISE FUNDS IN NEW STOCK OFFERINGS.

Sales of our common stock in the public market following this offering could lower the market price of our common stock. Sales may also make it more difficult for us to sell equity securities or equity-related securities in the future at a time and price that our management deems acceptable or at all. Of the 13,556,197 shares of common stock outstanding as of August 22, 2002, 9,368,548 shares are, or will be, freely tradable without restriction. The remaining 4,187,649 shares of common stock held by our "affiliates" or persons who recently purchased their shares from the company without Securities and Exchange Commission registration are "restricted securities" and may be resold

in the public market only if registered or pursuant to an exemption from registration. Some of these shares may be resold under Rule 144 and the remainder of these shares are included in this prospectus.

In addition, we have issued options to purchase up to 1,413,000 shares of our common stock and warrants to purchase up to 5,880,480 shares of common stock.

POSSIBLE EFFECTS OF SALES UNDER THE EQUITY LINE OF CREDIT

Assuming issuance of the estimated maximum number of shares available under the Equity Line of Credit, there will be an additional 5,000,000 shares of common stock outstanding. The common stock to be issued under the Equity Line of Credit would be issued at a 3% discount to the lowest closing bid price for the five days immediately following the notice date of an advance. These discounted sales could cause the price of our common stock to decline. It is anticipated that Cornell Capital Partners, L.P., the purchaser under the Equity Line of Credit will seek to sell shares purchased under each purchase installment prior to purchasing the next installment, thereby creating continuous selling pressure on the market price of the common stock.

The sale of shares pursuant to the Equity Line of Credit will have a dilutive impact on our stockholders. For a given advance, we will need to issue a greater number of shares of common stock under the Equity Line of Credit as our stock price declines. If our stock price is lower, then our existing stockholders would experience greater dilution.

The significant downward pressure on the price of our common stock caused by the sale of material amounts of common stock under the Equity Line of Credit could encourage short sales by third parties. Such an event could place further downward pressure on the price of our common stock.

THE PRICE YOU PAY IN THIS OFFERING WILL FLUCTUATE AND MAY BE HIGHER OR LOWER THAN THE PRICES PAID BY OTHER PEOPLE PARTICIPATING IN THIS OFFERING.

The price in this offering will fluctuate based on the prevailing market price of the common stock. Accordingly, the price you pay in this offering may be higher or lower than the prices paid by other people participating in this offering.

FORWARD-LOOKING STATEMENTS

Information included or incorporated by reference in this prospectus may contain forward-looking statements. This information may involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from the future results, performance or achievements expressed or implied by any forward-looking statements. Forward-looking statements, which involve assumptions and describe our future plans, strategies and expectations, are generally identifiable by use of the words "may," "will," "should," "expect," "anticipate," "estimate," "believe," "intend" or "project" or the negative of these words or other variations on these words or comparable terminology.

This prospectus contains forward-looking statements, including statements regarding, among other things, (a) our projected sales and profitability, (b) our growth strategies, (c) anticipated trends in our industry, (d) our future financing plans and (e) our anticipated needs for working capital. These statements may be found under "Management's Discussion and Analysis or Plan of Operations" and "Business," as well as in this prospectus generally. Actual events or results may differ materially from those discussed in forward-looking statements as a result of various factors, including, without limitation, the risks outlined under "Risk Factors" and matters described in this prospectus generally. In light of these risks and uncertainties, there can be no assurance that the forward-looking statements contained in this prospectus will in fact occur.

USE OF PROCEEDS

We will not receive any proceeds from the sale of the common stock or the common stock purchase warrants sold by the selling stockholders listed elsewhere in this prospectus.

However, 1,813,894 of the shares of common stock covered by this prospectus underlie common stock purchase warrants, which are exercisable variously between May 11, 2003 and February 27, 2007. We will receive proceeds upon the exercise of those Warrants. In order to receive one share of common stock, the holders of the common stock purchase warrants must pay us variously from $0.30 to $3.95, and surrender one warrant, subject to anti-dilution rights therein. We anticipate that we will receive approximately $655,668 if all of these warrants are exercised within the sixty-day period after the effective date of this prospectus, during which period the exercise price will be reduced to $0.30. Warrants exercised after such time would be exercised at their stated exercise prices, thereby increasing proceeds to the company. There is no assurance that any or all of the common stock purchase warrants or the unit warrants will be exercised. We will use the proceeds for general working capital purposes.

We have never declared dividends or paid any cash dividends. We intend to retain and use any future earnings for the development and expansion of our business and do not anticipate paying any cash dividends in the foreseeable future.

MARKET PRICE INFORMATION

Our common stock is traded on the OTC:BB under the symbol "WAVE". Prior to August 13, 2002 our common stock was included on the National Association of Securities Dealers Automated Quotation System (Nasdaq) SmallCap Market under the symbol "WAVE." The following table sets forth the quarterly high and low closing bid prices for the common stock as reported by Nasdaq for the periods indicated. These prices are based on quotations between dealers, and do not reflect retail mark-up, mark-down or commissions, and may not necessarily represent actual transactions.

	HIGH	LOW
FISCAL 2000		
First Quarter	$5.75	$2.19
Second Quarter	4.13	1.66
Third Quarter	2.44	1.59
Fourth Quarter	1.75	0.66
FISCAL 2001		

First Quarter	$1.44	$0.41
Second Quarter	1.02	0.60
Third Quarter	1.89	0.55
Fourth Quarter	1.43	0.86
FISCAL 2002		
First Quarter	$1.05	$0.59
Second Quarter	0.71	0.30
Third Quarter (through August 22, 2002)*	0.41*	0.18*

See the cover page of this prospectus for the last sales price of the common stock reported on the OTC:BB as of a recent date.

On August 22, 2002, there were approximately 180 holders of record of our common stock. This number does not include beneficial owners of the common stock whose shares are held in the names of various dealers, clearing agencies, banks, brokers and other fiduciaries.

10

MANAGEMENT'S DISCUSSION AND ANALYSIS OF CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with our financial statements and the notes thereto and the other financial information appearing elsewhere in this prospectus. This prospectus contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements include statements concerning underlying assumptions and other statements which are other that statements of historical facts. Forward-looking statements involve risks and uncertainties which could cause actual results or outcomes to differ materially. Our expectations and beliefs are expressed in good faith and are believed by us to have a reasonable basis but there can be no assurance that management's expectations, beliefs or projections will be achieved or accomplished. Our actual results could differ materially from those discussed in the forward-looking statements due to factors discussed under "Risk Factors," as well as factors discussed elsewhere in this prospectus. The cautionary statements made in this prospectus should be read as being applicable to all related forward-looking statements wherever they appear in this prospectus.

SUMMARY FINANCIAL INFORMATION

The summary financial data set forth below are derived from and should be read in conjunction with the financial statements, including the notes thereto, filed as part of this Registration Statement in Form SB-2.

STATEMENT OF OPERATIONS DATA:	SIX MONTHS ENDED JUNE 30,		YEAR ENDED DECEMBER 31,
(in thousands, except share data)	2002	2001	2000

Revenues	$ 281	$ 505	$ 14
Net Loss	$ (1,569)	$ (4,273)	$ (4,289)
Net loss per common share	$ (0.13)	$ (0.40)	$ (0.42)
Weighted average number of shares	12,151,007	10,749,404	10,135,345

	JUNE 30,	DECEMBER 31,	
BALANCE SHEET DATA:	2002	2001	2000
Working capital	$ 198	$ 895	$ 3,767
Total assets	$ 1,133	$ 2,133	$ 4,885
Total liabilities	$ 562	$ 846	$ 417
Stockholders' equity	$ 571	$ 1,287	$ 4,467

GENERAL

In 2001, we began commercializing our technologies, having been a development stage enterprise since our organization in July 1995. Our mission is to identify, develop and commercialize high-margin, proprietary technologies suited for high-volume, high-growth markets and, in turn, achieve attractive long-term growth for our company. We have been focusing on technology related to image and video enhancement designed to enrich picture and video output with clearer, more defined detail in texture, color, contrast and tone, at low cost. Our initial products can be used by original equipment manufacturers ("OEM's") for placement into products that have or utilize display screens such as televisions or DVD players, for supplementing and increasing video quality on existing television monitors and video displays via set-top boxes containing our technology, and by individuals over the Internet for improving their personal photographs. Our patented high speed filtering technology removes approximately 70% of the picture noise while retaining correct focus (the image and text in the image does not blur). We have developed and are currently marketing three product lines based upon our proprietary technology. These products are: (1) the NUWAVE Video Processor ("NVP") Technology; (2) Retail Products and (3) Digital Filtering Technology (see "Marketing and Sales").

RESULTS OF OPERATIONS

Revenues for the year ended December 31, 2001 were $505,000 as compared to $14,000 for the prior year. This was a direct result of the introduction and sales of our VGE retail product and our ASIC chips. Cost of sales for 2001 was

$308,000 versus $4,000 for 2000 also as a direct result of the increased sales. Research and development costs for the year ended December 31, 2001, were $1,165,000; a reduction of $18,000 from the prior year. This reduction included a decrease in engineering salaries and outside consulting fees of $257,000 and miscellaneous related costs of $10,000, primarily due the completion of the initial development of our core technologies. These reduced development costs were partially offset by an increase in amortization and write-off of development costs related to the PicturePrep software and the PicturePrepClub.com Web site over 2000 of $249,000. General and administrative expenses for the year ended December 31, 2001 were $3,699,000; an increase of from the prior year. Such increases were primarily a result of accounting treatment for performance stock options granted during 2001 ($226,000), increased legal fees as a result of additional Securities and Exchange Commission filings and contract work during 2001 ($144,000) and other ($15,000). Interest income (net of interest expense) for the year ended December 31, 2001 was $76,000 as compared to $264,000 for the prior year as a result of lower cash balances throughout 2001 compared to 2000. During the year ended 2001 we showed a benefit arising from income taxes of $318,000 as compared to a provision for income taxes in 2000 of $66,000. This change is a direct result of estimates posted for the sale of state tax credits based on a special New Jersey State program. As a result of the above we had a net loss for the year ended December 31, 2001, of $4,273,000 compared to a net loss for the year ended December 31, 2000, of $4,289,000, a decrease in losses of $16,000.

The net loss for the year ended December 31, 2000, of $4,289,000 compared to a net loss for the year ended December 31, 1999, of $2,691,000, an increase in losses of $1,598,000. The increased losses for the year ended 2000 were primarily attributable to increases in advertising and trade show expenses of $581,000 relating to the introduction of the PicturePrep 2000 product and the opening of our photo portal PicturePrepClub.com; an increase in payroll costs of approximately $130,000 relating to the addition of two marketing personnel; an increase in amortization charges relating to the issuance of stock options to third party consultants of $107,000; increases in research and development costs of $244,000 and a reduction in our provision for income tax benefits of $975,000. The increase in research and development costs of $244,000 was principally related to the final stages of development of the NVP 104 chip, development of PicturePrep technology and costs related to the development of our on-line photo portal. These increases were partially offset by an increase in interest income of $100,000 and one-time charges of $339,000 incurred during 1999 relating to the results of an arbitration settlement with Rave Engineering Corp.

SIX MONTHS ENDED JUNE 30, 2002 COMPARED TO SIX MONTHS ENDED JUNE 30, 2001

Revenues for the six months ended June 30, 2002 were $281,000 compared to $72,000 for the six months ended June 30, 2001 as we began selling the NVP Technology in the form of ASIC (application specific integrated circuits) chips to OEMs and our first retail product the "VGE" video game enhancer in June 2001. In December 2001, we entered into a strategic alliance with Gemini Industries (Gemini), a leading manufacturer and distributor of consumer electronics accessories. Gemini was granted a five-year exclusive license to market and distribute NUWAVE's VGE in North America. Initial shipments of the VGE and ASIC chips to Gemini took place during the first quarter of 2002. Cost of sales for the six months ended June 30, 2002 was $148,000 compared to $28,000 for the six months ended June 30, 2001. During the six months ended June 30, 2002, $469,000 was spent on research and development activities compared to $512,000 for the same six-month period in 2001, a decrease of $43,000. This decrease was primarily due to the elimination of amortization of the development costs relating to Company's PicturePrep software product and PicturePrepClub website. The majority of the research and development expenditures incurred during 2002 related to the development of the Company's new ASIC chip, the "NVP 1104" which was completed in July 2002 and the development of our retail and security/surveillance lines (see marketing and sales). General and administrative expenses for the six months ended June 30, 2002, totaled $1,237,000 representing a decrease of $75,000 compared to the six months ended June 30, 2001. Such decrease was the result of decreases in payroll of $44,000 combined with decreases in recruiting of $37,000, professional fees of $18,000 and marketing costs of $33,000 and other of $24,000; these decreases were offset by an increase in financial consulting of $81,000 primarily representing the non-cash costs (using the Black-Scholes calculation of accounting for issuances of options and warrants) of warrants and options issued to consultants.

Interest income (net of interest expense) was $4,000 for the six months ended June 30, 2002 as compared to $65,000 for the same period in 2001 primarily due to the Company's lower cash position as well as lower interest rates. As a result of the above, we had a net loss of $1,569,000 for the six months ended June 30, 2002 compared to a net loss for the six months ended June 30, 2001, of $1,715,000.

12

Although we anticipate deriving increased revenues from the sale of our ASIC chips and retail products and the licensing of our proprietary digital software during 2002, no assurance can be given that these products will be successfully marketed or that losses will not continue to occur during such period. See "Liquidity and Capital Resources."

LIQUIDITY AND CAPITAL RESOURCES

From our inception until the IPO in 1996, we relied for all of our funding ($2,900,000 in cash plus the cancellation of the notes in the principal amount of $350,000) on private sales of our debt and equity securities ("Private Financings"). In July 1996, we completed our IPO and received net proceeds of $9,538,428. We used $2,073,652 of the net proceeds of the IPO to repay the principal and interest on the outstanding notes issued to investors in connection with the Private Financings. On February 6, 1998, we issued 253,485 shares of our Common Stock for an aggregate purchase price of $1,000,000 to a Private Limited Partnership. Between May 19, 1998 and June 9, 1998, pursuant to a placement agency agreement with Janssen-Meyers Associates, L.P. ("Janssen-Meyers"), we issued 2,742,904 shares of our Common Stock and 2,057,207 Class A Redeemable Warrants for an aggregate purchase price of $7,280,546.

On March 14, 2000, we completed a private placement with Janssen-Meyers whereby we issued 2,088,608 shares of our Common Stock and 1,044,304 Redeemable Common Stock Purchase Warrants for an aggregate purchase price of $6,600,000.

During the period, beginning August 28, 2001 and ending November 12, 2001, we issued a total of 844,922 of our shares at a reduced exercise price of $1 to the holders of certain of our placement agent warrants. These warrants were originally issued to the placement agent in connection with two private placements of our equity in May 1998 and March 2000 at exercise prices of $3.24 and $3.95 respectively. As a special incentive offer to the holders of the placement agent warrants, the original exercise prices were reduced during the period August 15, 2001 to January 15, 2002.

On February 5, 2002, we entered into a private placement agreement with investors whereby we issued 600,000 shares of our Common Stock for an aggregate purchase price of $330,000. In connection with this agreement, the Company issued to the Placement Agent a Placement Agent Warrant, exercisable to purchase up to 30,000 shares of Common Stock, representing five percent of the total of the stock issued in the Offering. The warrants shall be exercisable for a period of five years, expiring on February 5, 2007, at an exercise price of $.55 per share. On February 27, 2002, we entered into an agreement with an investor whereby we issued 214,286 shares of Common Stock and warrants to purchase up to 50,000 shares of Common Stock for an aggregate purchase price of $150,000. The warrants have an exercise price of $1.00 per share with exercise period of five years expiring February 27, 2007.

On April 15, 2002, we entered into a $3.0 million Equity Line of Credit Agreement with Cornell Capital, Partners, L.P., which was amended as of May 17, 2002. Provided we are in compliance with the terms of the Equity Line of Credit Agreement, as amended, including the effective registration of shares to be sold, we may, at our option, require the Cornell Capital Partners to purchase up to $100,000 in any seven business day period of our common stock, up to a maximum of $3.0 million over a two year period dating from May 31, 2002. The shares of stock issued or issuable under the Equity Line of Credit were registered in a prior registration statement. The purchase price of the shares will be 97% of the then current market price. In addition, we have issued as a fee to Cornell Capital Partners of 218,095 shares of restricted stock with a fair value of $150,000. Upon the initial advance and all subsequent advances, Cornell Capital Partners shall receive a fee equal to 4% of the gross proceeds of each advance. As of August 15, 2002 we had not drawn any amounts under this Equity Line of Credit. On August 20, 2002, we received a loan from Cornell Capital in the amount of $300,000 which the Company intends to repay at the rate of approximately $30,000 per week from the proceeds of puts under the equity line over the next three months.

In June 2002, we entered into stock purchase agreements with 18 investors whereby we issued 1,101,165 shares of our Common Stock for an aggregate purchase price of $330,350.

On June 30, 2002, we had cash and cash equivalents of approximately $323,000 and no long-term liabilities. We anticipate that with our cash currently on hand plus the cash from the recent securities placements and

assuming maximum advances under the Equity Line of Credit, we should be able to satisfy contemplated cash requirements for at least through the next twelve months. In their report on the audit of NUWAVE's financial statements for the year ended December 31, 2001, our independent auditors included an explanatory paragraph in their report because of the uncertainty that we could continue in business as a going concern. In the event we are unable to raise the anticipated nor receive cash from sales of our products, there would be substantial doubt about our ability to continue as a going concern.

BUSINESS

GENERAL

During the second half of 2001, we began commercializing our patented technologies, having been a development stage enterprise since our organization in July 1995. Our mission is to identify, develop and commercialize high-margin, proprietary technologies suited for high-volume, high-growth markets and, in turn, achieve attractive long-term growth for our company. Our focus to date has been and continues to be on unique technology related to image and video enhancement designed to enrich picture and video output with clearer, more defined detail in texture, color, contrast and tone, at low cost. Our initial products can be used by original equipment manufacturers ("OEM's") for placement into products that produce images on display screens such as televisions or DVD players, for supplementing and increasing video quality on existing television monitors and video displays via set-top boxes containing our technology, and by individuals over the Internet for improving their personal photographs. Our patented high speed filtering technology removes approximately 70% of the picture noise while retaining correct focus (the image and text in the image does not blur). The three product lines based upon our proprietary technology are: (1) the NUWAVE Video Processor ("NVP") Technology; (2) retail products; and (3) digital filtering technology.

NVP Technology

The first technologies we are commercializing are in the fields of photo and video-enhancement. We have developed proprietary video-enhancement technology designed to significantly enhance video output devices with clearer, sharper details and more vibrant colors when viewed on the display screen. This is known as the NUWAVE Video Processor ("NVP") technology. We are marketing this technology in the form of ASIC chips ("Application Specific Integrated Circuits") directly to OEM's, who by incorporating this enabling technology would improve picture quality in their televisions, VCR's, DVD's, camcorders, set-top boxes and other video output devices. This technology can also be licensed to the OEM for incorporation onto their own ASIC design. The completed NVP 104 plastic (silicon) chip is currently being offered for sale. In July 2002, we introduced a step-up ASIC chip, the "NVP 1104," which will be produced at not only a lower cost for both NUWAVE and the potential OEM but will also allow for easier design implementation for the OEM.

Retail Products

During 2001, we completed development of the VGE set-top box for use with video games and DVD's. This is our first retail product utilizing the NVP ASIC chip. The VGE is a low-cost video game enhancer that provides home video "gamers" with better video quality, to give game players an "edge" to improve their scores. We know of no competitive device that is capable of similarly enhancing a video game.

In late June 2001, we began introducing the VGE 101 through select distributors and manufacturer's representatives for placement in nationally known retail chains. In December, we entered into a strategic alliance with Gemini Industries ("Gemini"), a leading manufacturer and distributor of consumer electronics accessories. Gemini was granted a five-year exclusive license to market and distribute NUWAVE's VGE in North America. Although the Gemini alliance supports our strategy to obtain access to an established domestic retail distribution channel for the specialized image enhancement products we develop, we have not yet been able to assess their ability to establish our product in a retail gaming accessory line for distribution to their customer base. We will be reviewing this carefully during the second half of 2002. In compliance with the exclusive license and distribution agreement, Gemini purchased their opening VGE inventory requirements during the first quarter of this year and did not place additional orders during the quarter ended June 30, 2002. Beginning in October 2002, pursuant to the amended terms of the agreement, Gemini has minimum monthly purchase obligations throughout the remainder of the

term of the agreement. The Gemini relationship should reduce our sales and marketing costs and the need for an inventory build-up. We plan to introduce several additional set top box video enhancement products to the retail market during 2002. Also in late August 2000 we announced the newest addition to our retail product line, a universal remote control unit. At the same time we announced that we had received a $2.85 million purchase order for this product from Electronics Etc, Inc., a consumer products distributor with a wide retail customer base. Although this product does not contain NUWAVE's proprietary technology it is compatible with and complementary to NUWAVE's newly introduced line of retail video enhancement products and can therefore be sold either independent of or together with our retail video enhanced selector boxes. The initial shipment is expected to take place in September 2002, followed by additional shipments throughout the holiday selling season.

Digital Software Technology

During 2000, we completed the initial development of our first proprietary digital photo and video software technology and launched the PicturePrep(TM) 2000 product line. The initial PicturePrep technology was developed at the height of the recent Internet frenzy for direct sale to consumers. With the downturn in the Internet boom we refocused our digital technology direction. In March 2001, this software was upgraded to PicturePrep(TM) Deluxe 2001 with new file management and uploading capabilities. In October 2001, the digital filters used in PicturePrep Deluxe were granted patent protection by the U.S. Patent Office. These filters remove graininess and digital artifacts while preserving proper focus better than any other "real time" filters that are on the market today.

We are concentrating our activities primarily on the sales of our ASIC line of chips, the introduction and sales of our digital software technology and our Internet presence to the OEM and professional video markets, the introduction of additional video and image enhancement set-top boxes for retail distribution and on the continuing development of our European sales presence.

We believe this focused digital and analog image enhancement product strategy will provide our company with a technology base, product line and services we can offer to potential customers. This positions us to take full advantage of the significant video and photo growth opportunity presented by the converging PC, Internet, television, HDTV and telecommunication markets. We believe that the capacity of our administrative and support systems is sufficient to allow us to expand our business without significant additional capital expenditures.

Although we anticipate deriving increased revenues from the sale of our ASIC chips and retail products and the licensing of our proprietary digital software during 2002, no assurance can be given that these products will be successfully marketed or that losses will not continue to occur during such period. See "Management's Discussion and Analysis - Liquidity and Capital Resources."

BACKGROUND--VIDEO IMAGES

The human eye perceives all images as a result of its ability to recognize light. Light travels as continuous electromagnetic waves ("Analog Light Waves") that are either emitted by the object being observed or reflected from it. Analog Light Waves vary in frequency and amplitude, and can be directly captured as images. For example, in photography, light waves strike film treated with certain chemicals and the energy from the light wave causes chemical reactions that change the translucency of the film. As a result, the image can be recreated by again passing light through the film. In computers, visual images can be stored and manipulated after Analog Light Waves have been broken down into smaller constituent parts expressed as digital signals. These digital signals are transmitted as bits and then reconstituted into Analog Light Waves visible to the human eye.

Broadcast television technology is based on Analog Light Wave transmissions. Analog Light Waves are captured by an electronic television camera and turned into usable electrical energy in the form of lower frequency waves in the form of electrical currents in an electric circuit ("Analog Video Waves"). That wave is transmitted to a receiver, where it is projected at the standard broadcast rate of 30 frames per second ("fps") against a phosphorescent screen. The screen then emits Analog Light Waves, making the image visible to the human eye.

Modern video telecommunications, such as satellite broadcasting and cable television, generally combine both analog and digital processes in order to capture and transmit images. For example, in digital satellite video telecommunication the image is digitized by a computer processor and then broadcast to a satellite. The digital information is received and rebroadcast by

the satellite directly to a receiver, and then reconstituted into energy in the form of an analog wave and displayed at 30 fps to create a visible image.

Bandwidths available for satellite video transmission are limited by the Federal Communications Commission ("FCC"). These limitations significantly restrict the amount of information that can be transmitted in any time interval and require most information to be transmitted in a compressed digitized format.

Given the physical limitations of satellite, cable and telephone systems, and their increasing interactivity, ever more emphasis is being placed on compression technology as a means to allow more data to be transmitted in any time interval. Using a variety of techniques, portions of a digital description of an image are omitted in the transmission of information, and, by mathematical formula or inference, most of the omitted data is then replaced after reception. The result of this compression technology has been to increase the number of channels available for digital satellite broadcasting from 50 to 150, and to significantly improve the quality of images transmitted over the Internet. We believe that improvements in the amount of compression possible will continue. However, as the amount of compression increases, more data will likely be lost, and the quality of the image will deteriorate.

Image information may be lost in the process of compression or distorted during recording, transmission or playback because of various factors, including signal interference or deterioration of original film quality and camera focus. Some of the problems from this loss or distortion of image information include lack of clarity, a "washed out" look and reduced or inadequate black level.

One of the methods used to compress digitized video information for storage and transmission, other than television transmission, is to eliminate frames. A phenomenon causing analogous results occurs when the hard drive of a computer, or some other component, cannot retrieve or present data at sufficiently high fps. In either case, image movement is erratic and unrealistic. Regardless of whether the signal is compressed, the image may be subject to random salt and pepper noise patterns.

OUR COMPANY'S VIDEO ENHANCEMENT PRODUCTS

The NVP Technology

Our patented NVP controls, corrects and improves analog video signals using digital control (software). The NVP first detects and replaces all important picture synchronization and stability attributes. It then corrects the color and black-and-white information. The NVP enhances fine details of an image and reduces distortions incurred in the course of transmitting the image, corrects the pure black content of images and adjusts perceived light on projected images. Fine detail enhancement is achieved by a proprietary circuit that analyzes the form of the analog waves at the point of origin or display, and processes the wave to significantly increase the clarity of the image.

The NVP achieves "blackness" correction by establishing a "reference to true black" and adjusting the rest of the color spectrum to that reference, making a "washed out" image appear more vivid. Similar referencing currently is available only in expensive video display units, TV monitors and projection systems; the NVP's proprietary circuits enable the process to be performed inexpensively on a printed circuit board, ASIC or a small portion of a integrated circuit chip.

The NVP also contains circuits that provide for the adjustment of light in images and brightness of the colors presented, similar to circuits traditionally included in televisions.

The NVP can be used prior to further processing of the Analog Video Wave at the source of the video signal and/or at the other end of the process prior to the display of the video image. In the form of a chip, it can be included in a television set, video projector or in a video conference display or in the decoder or routing box that connects a typical television to a cable broadcasting company or a multichannel satellite provider. The NVP also can be included in any personal computer that has a video capture board, a device enabling the computer to convert standard broadcast video signals into a digitized form. This enables the image to be enhanced prior to digitization.

We have developed patented Softsets to control the functions of the NVP. The Softsets give both end-users and manufacturers who use the NVP in their products the ability to manipulate the attributes of video images to their own taste or standards. For example, the manufacturer of a set-top box who includes the NVP and Softsets in its product could offer viewers the ability to select

predetermined optimum video parameters for "Sports," "Movies," "Drama" or other predesignated programming from their remote control ("Active Softsets"). Additionally, program providers or other transmitters can encode their signal so that a receiving device containing the Softsets and enhanced NVP will automatically adjust its video parameters to a predetermined value when the signal is received ("Passive Softsets"). The encoded signal can also be included in the actual programming.

Digital Video and Photo Software Video Enhancement Technology

We have developed a proprietary technology to remove noise, graininess in pictures, to complement our clarity technology used in the NVP-104 ASIC. The result of this development is a set of patented algorithms that remove 70% of the picture noise while retaining correct focus (the image does not blur). In addition, the NUWAVE algorithm process is three times faster than any other known algorithm or filter thus allowing use in and during real time streaming video.

We believe our company has proprietary solutions for sale in both analog and digital form to meet the continuing evolution and convergence of the PC to television markets and the worldwide trend away from analog devices toward digital devices.

Other Potential Products

Our company, both internally and through the use of outside consultants, continues to conduct investigation and research and development with respect to other new technologies/products to address the digital, PC and Internet markets, which are new markets for us to participate in. We intend to continue to use outside consultants to assure exposure to new ideas and technology. These activities may give rise to additional products that we may commercialize. However, there can be no assurance that our efforts will result in marketable products or products that can be produced at commercially acceptable costs or that we will have sufficient funds available to support the development and commercialization of such products.

RESEARCH AND DEVELOPMENT

Our Advanced Engineering Group currently operates to support the continuing development of our products and related technology, and the identification of additional sources of new technology. We utilize our Advanced Engineering Group to create products and technology. These products and technology include the NVP, a significant amount of the software included in each of its products and new circuitry to allow this technology to be produced as an ASIC chip and the proprietary digital software photo and video enhancement technology utilized in our first Internet and retail software product PicturePrep. During 2001, we completed development of the VGE set-top box utilizing the NVP ASIC chip for use with video games and DVD's. This is our first retail product utilizing the NVP ASIC chip. The VGE 101 is a low-cost video game enhancer that provides home video "gamers" with better video quality, to give game players an "edge" to improve their scores. In addition to the VGE, which utilizes the NVP 104 chip as its core technology, our engineering group is finalizing development of five additional NVP derivative set-top boxes for the consumer retail and professional marketplaces. These products are expected to be available within the next six months. In July 2002, we announced the completion of the NVP 1104 ASIC chip, a step-up product to the current NVP 104 ASIC.

The Advanced Engineering Group consists of four of our employees, together with outside consultant organizations who have on their respective staffs engineers, technicians and support personnel who devote time to our company on an as-needed project-by-project basis. We anticipate that the make-up of our Advanced Engineering Group will change from time to time, depending on our current and anticipated development and commercialization plans. Our strategy with respect to new products and technologies is to continue to utilize the Advanced Engineering Group as well as other independent third party sources and to increase its internal technical and engineering staff as appropriate.

During fiscal 2001 and 2000, $1,165,000 and $1,183,000, respectively, was spent on research and development activities. During the year ending December 31, 2002, we estimate that we will spend approximately $700,000 on research and development. Any increases or decreases to these research and development expenditure estimates are expected to be directly related to revenues generated from our current and forecasted product line-up.

MARKETING AND SALES

Utilizing our proprietary technologies, we have completed development of three product lines: (1) retail products; (2) the NUWAVE Video Processor Technology; and (3) Digital Software (PicturePreptm Technology). These three product lines are currently being marketed to their respective distribution channels as follows:

Retail Products

In June 2001, we began introducing the VGE through select distributors and manufacturer's representatives for placement in nationally known retail chains. As a result of these initiatives, the VGE was placed in over 2,500 U.S. retail outlets during the second half of 2001. In December 2001 we entered into a strategic alliance with Gemini Industries ("Gemini"), a leading manufacturer and distributor of consumer electronics accessories. Gemini was granted a five-year exclusive license to market and distribute NUWAVE's VGE in North

America. As part of the agreement, Gemini placed an initial order consisting of a combination of finished goods inventory together with our proprietary ASIC's totaling 25,000 units. The agreement contains a minimum annual purchase quantity of 100,000 units taken down on a monthly basis beginning in July 2002. Gemini, which sells products under the Philips, Zenith and Magnavox brands, also received the "right of first offer" on future versions of the VGE, as well as future video and image enhancement set-top boxes for retail distribution. We will not be able to assess their ability to successfully market our product through their customer base until the second half of 2002. We expect to offer several additional set-top box products to Gemini under their right of first offer over the next six months.

This alliance combines the respective strengths of each company. We will license our proprietary technology to Gemini, who will then manufacture, market and distribute the VGE to its customer base, which covers approximately 17,000 retail locations in North America. The alliance supports our strategy to obtain access to an established retail distribution channel for the specialized image enhancement products we develop. Additionally, it allows us to allocate our time and resources away from costly retail marketing and distribution processes, to focus on developing innovative technologies and products for license to third parties with established marketing and distribution channels.

Also in June 2001, we entered into a strategic sales and marketing agreement with Partners in Europe ("PIE"), a Shannon, Ireland-based firm offering complete business solutions to North American companies seeking to establish or expand their European business. Under the agreement, PIE was to establish a full-scale European distribution, sales, marketing and warehousing operation for NUWAVE. The VGE was initially placed in over 500 retail locations throughout the U.K. VGE sales in Europe for the year 2001 amounted to $118,000 net of returns and were less than originally anticipated. An analysis of the returns shows they are a direct result of the soft sell of the VGE experienced by the U.K. retailers. To some degree we experienced similar results in the U.S. This is directly attributable to the lack of consumer awareness of the VGE's features, benefits and actual enhancement performance. We have determined that this condition at retail was not caused by retail price point, competition, poor product performance or defective products but solely that six to nine months is not normally sufficient time to successfully introduce and develop consumer awareness for a new product in a whole new product category as is engendered by the VGE. We have terminated our agreement with PIE and are looking for a strategic partner or partners similar to that of Gemini in North America to distribute and market our product in Europe. There can be no assurances that we will be successful in these endeavors.

NVP ASIC Technology

We are marketing this technology in the form of ASIC chips ("Application Specific Integrated Circuits") directly to OEM's who by incorporating this enabling technology would improve picture quality in their televisions, VCR's, DVD's, camcorders, set-top boxes and other video output devices. This technology can also be licensed to the OEM for incorporation onto their own ASIC design. The completed NVP 104 plastic (silicon) chip is currently being offered for sale. We have been concentrating our efforts to date on demonstrating and marketing this technology to the large Asian consumer electronics OEM's in Japan and China. We have retained David Kwong, a consultant to the Company, for the sale and licensing of products in China and to maintain a sales office for us in China. In August and September 2001, we received our first OEM orders for the NVP 104 ASIC chips from a large Chinese electronics company that is utilizing the chips in its DVD product line, which is now available in the retail marketplace. We believe this is a significant step towards our goal of making our technology a new standard in video equipment and expect other OEM's to follow during 2002. Based on customer feedback, we are planning to introduce in July 2002, a step-up ASIC chip, the "NVP 1104" which will be produced at not only a lower cost for both NUWAVE and the potential OEM but will also allow for easier design implementation for the OEM. At the same time it will have additional features.

Digital Filtering Technology

During 2000, we completed the initial development of our first proprietary digital photo and video software technology and launched the PicturePrep(TM) 2000 product line. The initial PicturePrep technology was developed at the height of the recent Internet frenzy for direct sale to consumers. With the downturn in the Internet boom we refocused our digital technology direction. In March 2001, this software was upgraded to PicturePrep(TM) Deluxe 2001 with new file management and uploading capabilities. In October 2001, the digital filters used in PicturePrep Deluxe were granted patent protection by the U.S. Patent Office. These filters remove graininess and digital artifacts, while preserving proper focus better than any other "real time" filters that are on the market today. There can be no assurance that we will be successful in our marketing of our ASIC chips.

We plan to license the digital filtering technology associated with PicturePrepTM Deluxe 2001 to OEM's for embedding in products such as PC's, printers, scanners, camcorders and DVD's, among other digital imaging devices. These patented filters are expected to be in demand for use in processing digital video and movies used for streaming video over the Internet. The PicturePreptm digital technology not only complements our proprietary analog ASIC chip technology, but can also work in conjunction with it to further improve the resulting image quality. In April 2002, we signed an agreement with Sony Corporation, giving Sony the non-exclusive right to use one of our filters in its digital color printers, in return for a nominal one-time licensing fee. While we anticipate that this initial step may lead to a growing relationship between Sony Corporation and NUWAVE, there is no assurance that such a relationship will develop.

With the initial introduction and sales of our VGE retail product and our ASIC chips occurring during 2001, our net sales for the year ended December 31, 2001, were $505,000 as compared to $14,000 for the prior year. See the discussion of Concentrations of Customers on page F-9 of Notes to Financial Statements. As a result of the exclusive Gemini Agreement, we anticipate a substantial reduction in our overall marketing and distribution costs of $638,000 in 2001, as they will be responsible for marketing and selling to retail outlets in North America. Although we anticipate deriving increased revenues from the sale of our ASIC chips and retail products and the licensing of our proprietary digital software during 2002, no assurance can be given that these products will be successfully marketed during such period.

MANUFACTURING

We do not contemplate that we will directly manufacture any of our products. We have contracted with third parties to manufacture our NVP 104 ASIC and our VGE. We also may license to third parties the rights to manufacture the products, through direct licensing, OEM arrangements or otherwise.

We intend to produce the NVP ASIC chips in accordance with a customer's requirements, supported by firm commitments, rather than producing and storing in inventory ASIC chips in anticipation of applications required by customers in the future.

PATENTS; PROPRIETARY INFORMATION

To the extent practicable, we have filed and intend to file U.S. patents and/or copyright applications for certain of its proposed products and technology. We have also filed and intend to file corresponding applications in key industrial countries worldwide.

In April 1996, we filed two U.S. patent applications on behalf of Rave Engineering Corporation ("Rave") for our Randall connector system. One patent was received in November 1997 and the second one in January 1998. Under the terms of the settlement agreement with Rave, we retain the exclusive license rights to these patents.

In April 1998, we filed three U.S. patent applications for certain of our independently developed products: one for the NUWAVE Video Processor and two for the Softsets. These patents were granted in November 2000, February 2001 and May 2001, respectively. In August 1999, we filed a patent application for our

digital software technology as used in PicturePrep product line. This patent was granted in October 2001. There is no assurance that any patent will afford us with commercially significant protection of our technology or that we will have adequate resources to enforce our patents.

We also sell our technology and products in foreign markets. As such, we have filed for foreign patent protection in the countries forming the European Common Union, Japan and Korea. The patent laws of other countries may differ significantly from those of the United States as to the patentability of our products and technology. Moreover, the degree of protection afforded by foreign patents may be different from that in the United States. Patent applications in the United States are maintained in secrecy until the patents are issued, if a non-publication request is timely made and the applications are not foreign filed, and are otherwise published 18 months after filing. Publication of discoveries in scientific or patent literature tends to lag behind actual discoveries by several months. As a result, we cannot be certain that we will be the first creator of inventions covered by any patent applications we make or the first to file patent applications on such inventions.

Management believes that the products we intend to market and sell do not infringe the patents or other proprietary rights of third parties. Further, we are not aware of any patents held by competitors that will prevent, limit or otherwise interfere with our ability to make and sell our products. However, it is possible that competitors may have applied for, or may in the future apply for and obtain, patents which have an adverse impact on our ability to make and sell our products. There is no assurance that competitors will not infringe our patents. Defense and prosecution of patent suits, even if successful, are both costly and time consuming. An adverse outcome in the defense of a patent suit could subject us to significant liabilities to third parties, require disputed rights to be licensed from third parties or require it to cease selling its products.

We also rely on unpatented proprietary technology. There is no assurance that others may not independently develop the same or similar technology or otherwise obtain access to our unpatented technology. To protect our trade secrets and other proprietary information, we require employees, advisors and collaborators to enter into confidentiality agreements. We could be adversely affected in the event that these agreements fail to provide meaningful protection for our trade secrets, know-how or other proprietary information.

COMPETITION

The markets that we intend to enter are characterized by intense competition, and, particularly with respect to the market for video editing, video production and video processing products, significant price erosion over the life of a product. Our products will directly compete with those of numerous well-established companies, such as Sony Electronics, Inc., Panasonic Division of Matsushita Electric Industrial Co., Motorola, Inc., Mitsubishi International Corp. and Royal Philips Electronics, NV, which design, manufacture and/or market video technology and other products. All of these companies have substantially greater financial, technical, personnel and other resources than we do and have established reputations for success in the development, licensing, sale and service of their products and technology. Certain of these competitors dominate their industries and have the necessary financial resources to enable them to withstand substantial price competition or downturns in the market for video products.

EMPLOYEES

We currently have nine full-time employees, of whom five are executives or administrative and four are in the Advanced Engineering Group, and depending on our level of business activity, expect to hire additional employees in the next 12 months, as needed, to support marketing and sales, manufacturing and research and development. We also retain a varying number of consultants on an as-needed basis.

PROPERTIES

We have established our headquarters in Fairfield, New Jersey. Pursuant to the sublease relating to such facility, we are obligated to make monthly rental payments of $7,260. The sublease is on a month-to-month basis. Our subleased portion of the facility is approximately 2,500 square feet and the sublease entitles us to share certain common areas.

LEGAL PROCEEDINGS

There are no current material legal proceedings involving our company.

MANAGEMENT

DIRECTORS AND EXECUTIVE OFFICERS

The following table sets forth the names, ages as of August 22, 2002, and business experience of the directors and executive officers of our company. Our directors hold their offices for a term of one year or until their successors are elected and qualified or until their earlier resignation or removal. Our board consists of four members. Our officers serve at the discretion of the Board of Directors.

NAME	AGE	POSITION

Gerald Zarin	61	Chairman of the Board of Directors, President and Chief Executive Officer
Edward Bohn	56	Director
Lyle E. Gramley	75	Director
Joseph A. Sarubbi	73	Director
Jeremiah F. O'Brien	55	Vice President, Secretary and Chief Financial Officer
Robert Webb	65	Vice President - Marketing/Technical Development

GERALD ZARIN has been a Director and President and Chief Executive Officer of the company since July 1995. He has been Chairman of the Board of Directors since January 28, 1996. From June 1993 to July 1995, he was President and Chief Executive Officer at AMD Consulting, Inc., a business-consulting firm. From June 1991 until January 1993, Mr. Zarin was the Chairman, President and Chief Executive Officer of Emerson Radio Corporation ("Emerson Radio"), which designs and sells consumer electronics products. From November 1990 to June 1991, he was President and Chief Executive Officer of JEM, Inc., an importer of fine furnishings. From August 1987 to October 1990, he was Senior Vice President and Chief Financial Officer of Horn & Hardart, Inc., the parent company for Hanover House and various other hotels and fast food chains. From 1976 to 1986, he was President and Chief Executive Officer of Morse Electro, Inc., which designed and sold consumer electronics products.

EDWARD BOHN has been a Director of and a consultant to NUWAVE since July 1995. Since March 2001, he has been Chief Financial Officer of Nova Corp., which constructs and manages the construction of data centers serving the telecommunications (Internet) industry both domestically and internationally, after having been a Director and Consultant since December 1999. Since February 1995, he has been a Director and Consultant of Jennifer Convertibles, a furniture distributor. Since September 1994, he has operated as an independent consultant in financial and operational matters. From January 1983 to March 1994, Mr. Bohn was employed in various capacities by Emerson Radio, including from March 1993 to March 1994, as Senior Vice President-Special Projects; and from March 1991 to March 1993, as Chief Financial Officer and Treasurer/Vice President of Finance. Prior to March 1991, he was Vice President of Finance and Treasurer. Prior to Emerson, he held positions as and Officer and Assistant Controller of Jersey Central Power and Light, as Coordinator of Internal Auditing for the GPU System, controller of a multi-million food manufacturing company, and held various positions in a public accounting firm.

LYLE E. GRAMLEY has been a Director of the company since December 1995. Since 1985, he has been employed by the Mortgage Bankers Association in Washington, D.C., serving as Senior Staff Vice President and Chief Economist since 1985 to 1992, and as a Consulting Economist since 1992. From 1980 to 1985, Mr. Gramley was a member of the Board of Governors of the Federal Reserve Board.

JOSEPH A. SARUBBI has been director of the Company since March 1996. From October 1993 to June 6, 1996, he was a director of The Panda Project, Inc., a manufacturer of computers and semiconductor packages. Since April 1988, Mr. Sarubbi has been a self-employed management and technical consultant to various technology companies. From February 1986 to April 1988, he was Senior Vice President of Manufacturing Operations for Tandon Corporation, a computer manufacturer. From December 1952 to January 1986, Mr. Sarubbi was employed by IBM in various senior engineering positions.

JEREMIAH F. O'BRIEN has been Vice President and Secretary of NUWAVE since July 1995. Mr. O'Brien has been the Chief Financial Officer of NUWAVE since January 1996. Prior to joining NUWAVE, Mr. O'Brien held a six-year post as CFO and Executive Vice President for Cardiac Resuscitator Corporation, a medical electronic manufacturer. From September 1989 to June 1991, he served as Senior Vice President of Finance for Emerson Computer Corporation and Emerson Technologies, Inc., both of which manufacture and sell electronic components and products. Mr. O'Brien has also held a Corporate Controller's position for Andin International, a jewelry manufacturing company. Mr. O'Brien has also acted as an acted as an independent financial consultant to various private corporations.

ROBERT WEBB has served as Vice President of marketing for NUWAVE since September 1995. From June 1995 to September 1995, Mr. Webb acted as an independent consultant to various private corporations. From July 1994 to March 1995, he was Vice President of new product development for Studio Magic, Inc. From October 1973 to October 1993, he was employed by and succeeded to General Manager, GSD of Grass Valley/Tektronix, a company that produces broadcast television equipment. Mr. Webb began his career as an engineer designing television systems for the United States government and was on the design team that completed the first digital television. He was also Founder and President of World Video, the first company to produce a monitor using the Trinton picture tube.

COMPENSATION OF EXECUTIVE OFFICERS

The following table sets forth the annual and long-term compensation paid by our company for services performed on our company's behalf for the three fiscal years ended December 31, 2001, with respect to those persons who were, as of December 31, 2001, our Chief Executive Officer and our executive officers who received more than $100,000 in compensation for fiscal 2001.

SUMMARY COMPENSATION TABLE

		ANNUAL COMPENSATION			COMPE
NAME AND PRINCIPAL POSITION	YEAR	SALARY	BONUS	OTHER ANNUAL COMPENSATION	SECURITIES UNDERLYING OPTIONS (NUMBER OF SHARES)
Gerald Zarin, President and	2001	$161,000	0	$0	200,000
Chief Executive Officer	2000	$140,000	$50,000	$0	0
	1999	$120,000	$25,000	$0	50,000
Jeremiah F. O'Brien, Chief	2001	$120,000	0	$0	50,000
Financial Officer, Vice	2000	$114,000	$25,000	$0	0
President and Secretary	1999	$100,000	$10,000	$0	20,000
Robert Webb, Vice President,	2001	$125,000	0	$0	0
Marketing/Technical	2000	$119,000	$25,000	$0	0
Development	1999	$108,000	$10,000	$0	20,000

EMPLOYMENT AGREEMENTS

Mr. Zarin entered into an employment agreement with the Company, dated as of April 2000, pursuant to which he agreed to serve as the Company's President and Chief Executive Officer through December 31, 2007 after which time the Employment Agreement shall automatically continue for additional one year periods (the "Renewal Terms") unless either Zarin or the Corporation notifies the other at least six months prior to the end of the initial or any Renewal Term. The agreement provided for an initial salary of $120,000 per year, which was increased to $150,000 on May 11, 2001. Mr. Zarin's base salary was voluntarily decreased to $137,500 in March 2002. Mr. Zarin is also entitled to an annual bonus based on the performance of the Corporation equal (i) 50% of his base compensation if the Company's net profits before taxes are equal to projections be approved by the Company's Board of Directors, (ii) 75% of his base compensation if the Company net profits before taxes are equal to 105% of such projections, and (iii) 100% of his base compensation if the Company's net profits before taxes are equal to 115% of such projections. Mr. Zarin can terminate the agreement upon 180 days notice. The Company can terminate the agreement for good cause at any time. If the Company elects not to renew the Agreement and has given proper notification, Mr. Zarin will receive on the date of termination an amount equal to 150% of his base compensation his entitled performance bonus and an amount equal to the average of any discretionary bonus paid if the preceding two calendar years (the "Termination Bonuses"). If the Company otherwise terminates the agreement without cause, or otherwise materially breaches the agreement prior to December 31, 2005, Mr. Zarin will receive a single payment equal to the remaining payments he would have been entitled to receive during the unexpired portion of the agreement, an additional two years base compensation and any termination bonuses. If the Company otherwise terminates the agreement without cause, or otherwise materially breaches the agreement after December 31, 2005, Mr. Zarin will receive a single payment equal to the remaining payments he would have been entitled to receive during the unexpired portion of the agreement, an additional three years base compensation and any termination bonuses. Pursuant to an earlier employment agreement Mr. Zarin was granted an option purchase 200,000 shares of Common Stock at $1.50 per share. The option expires December 31, 2005, and terminates if Mr. Zarin voluntarily leaves the Company or the employment agreement is terminate by the Company for good cause.

On September 11, 1995, we entered into an employment agreement with Robert Webb, pursuant to which Mr. Webb was appointed Vice President-Marketing. In March 1997, his title was changed to Vice President-Marketing/Technical Development in order to more accurately reflect his duties. The employment agreement continued until March 31, 1996 and thereafter has been continuing for successive 3-month periods. Mr. Webb's base salary for 2002 is $70,000. In connection with his employment agreement, Mr. Webb received options to purchase 70,000 shares of our common stock at $1.50 per share.

In connection with services performed by Mr. O'Brien, on July 17, 1995, he received 5,000 shares of our common stock valued at $.01 per share and has been granted options to purchase 25,000 shares of our common stock at $1.50 per share and 5,000 shares of our common stock at $2.00 per share. Mr. O'Brien's base salary for 2002 is $110,000.

DIRECTORS' COMPENSATION

Directors who are not employees of the Company are entitled to a fee of $2,500 per year and $500 per meeting attended (other than telephonic meetings) for serving on the Board of Directors. Each director is also reimbursed for expenses incurred in connection with attendance at meetings of the Board of Directors. For the fiscal year ended December 31, 2001, Messrs. Bohn, Gramley and Sarubbi received compensation of $1,500 for attendance at non-telephonic board meetings.

The 1996 Non-Employee Director Stock Option Plan (the "Director Stock Option Plan") provides for the automatic grant to each individual elected, re-elected or continuing as a non-employee director of our company of a stock option for 5,000 shares of our common stock at an option exercise price equal to the fair market value of our common stock on the date of grant. 235,000 shares have been reserved for issuance under the Director Stock Option Plan. At December 31, 2001, options for an aggregate of 213,000 shares of our common stock exercisable at prices ranging from $0.81 to $6.75 per share expiring from May 3, 2003 to January 3, 2011 were outstanding under the Director Stock Option Plan.

For a description of consulting fees paid to Messrs. Bohn and Sarubbi, see "Certain Relationships and Related Transactions."

BOARD AND COMMITTEE MEETINGS

Our Board of Directors held six meetings during the fiscal year ended December 31, 2001. During 2001, no member of the Board of Directors attended fewer than 75% of the aggregate of (i) the total number of meetings of the Board of Directors held during the period for which he has been a director and (ii) the total number of meetings held by all committees on which he served.

The Board of Directors has a standing Audit Committee and a standing Compensation Committee. The Audit Committee met three times and the Compensation Committee met once during the fiscal year ended December 31, 2001.

Messrs. Bohn, Gramley and Sarubbi comprise the Audit Committee. This Committee makes recommendations concerning the engagement of independent public accountants, reviews with the independent public accountants the results of the audit engagement, approves professional services provided by the independent accountants, reviews the independence of the independent public accountants, considers the range of audit and non-audit fees, and reviews the adequacy of our internal accounting controls. The Audit Committee operates under a formal written charter.

Messrs. Bohn and Gramley comprise the Compensation Committee. The Compensation Committee makes recommendations to the Board regarding the executive and employee compensation programs of our company.

1996 STOCK INCENTIVE PLAN FOR EMPLOYEES AND CONSULTANTS

As of January 31, 1996, we adopted the 1996 Stock Incentive Plan for Employees and Consultants, pursuant to which stock options (both Nonqualified Stock Options and Incentive Stock Options), stock appreciation rights and restricted stock may be granted to key employees and consultants. The purpose of the Employee Stock Incentive Plan is to provide our employees and consultants with an increased incentive to make significant and extraordinary contributions to the long-term performance and growth of our company, to align the interest of employees and consultants with the interests of the stockholders of our company, and to attract and retain employees and consultants of exceptional ability.

As of August 22, 2002, we have granted options to purchase a total of 1,413,000 shares of our common stock at prices ranging from $0.61 to $6.88 per share under the Employee Stock Incentive Plan.

OPTION GRANTS IN LAST FISCAL YEAR

The number of shares available for grant under our 1996 Stock Incentive Plan for Employees and Consultants is 70,000. Options for an aggregate of 1,135,000 shares have been granted under the Employee Stock Option Plan. During our 2001 fiscal year, options covering an aggregate of 320,000 shares of our common stock were granted under our Employee Stock Option Plan to three persons at exercise prices ranging from $0.61 to $1.05 per share. During the first six months of 2002, no options were granted.

The following table sets forth all grants of options for our Common Stock to the Named Executive Officers of the company during fiscal 2001.

OPTION GRANTS FOR YEAR ENDED DECEMBER 31, 2001

(INDIVIDUAL GRANTS IN FISCAL YEAR)

NAME	NUMBER OF SECURITIES UNDERLYING OPTIONS	PERCENT OF TOTAL OPTIONS GRANTED TO EMPLOYEES	EXERCISE PRICE PER SHARE (1)	EXP
Gerald Zarin	150,000	42.8	$0.79	Jun
	50,000	14.3	$0.79	Decem
Jeremiah F. O'Brien	50,000	14.3	$0.79	Jun
Robert Webb	-0-	-0-	-0-	
TOTAL	255,000	61.4%		

OPTION EXERCISES AND YEAR-END OPTION VALUES

No options were exercised in fiscal year 2001 by any of the Named Executive Officers. The following table sets forth, as of December 31, 2001, the number of stock options and the value of unexercised stock options held by the Named Executive Officers.

AGGREGATED OPTION EXERCISES IN YEAR ENDED DECEMBER 31, 2001
AND YEAR-END OPTION VALUES

NAME	NUMBER OF SECURITIES UNDERLYING UNEXERCISED OPTIONS AT DECEMBER 31, 2001		VALUE OF UNEXERC IN-THE-MONEY OPTIO AT DECEMBER 31,	
	EXERCISABLE	UNEXERCISABLE	EXERCISABLE	UNE

Gerald Zarin	785,000	0	$35,000
Robert Webb	110,000	0	$0
Jeremiah F. O'Brien	175,000	0	$13,000
TOTAL	1,170,000		$48,000

EXECUTIVE COMPENSATION PROGRAM

Our executive compensation program consists of base salary, periodic incentive compensation and long-term equity incentives in the form of stock options. Executive officers also are eligible to participate in certain benefit programs which are generally available to all of our employees, such as medical insurance programs. In addition to the basic medical insurance program, the executive officers are eligible to participate in an enhanced medical insurance program which is available only to our executive officers.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Since 1996, Mr. Edward Bohn, a director of our company, has been acting as a consultant to us from time to time on matters specified by our President. In March 1997, Mr. Bohn entered into a consulting agreement with us pursuant to which he agreed to act as our consultant at a rate of $1,000 per day with a maximum of $2,750 per week regardless of the actual time spent on our behalf. For the years ended December 31, 2001 and 2000, Mr. Bohn received $0 and $2,800, respectively on account of such consulting services.

Since 1996, Mr. Joseph A. Sarubbi, a director of our company, has been acting as a consultant to us from time to time on matters specified by our President. In that connection he has received compensation on a per diem basis

of $1,000 per day. For the years ended December 31, 2001 and 2000, Mr. Sarubbi received $0 and $3,000, respectively, on account of such consulting services.

PRINCIPAL STOCKHOLDERS AND SECURITY OWNERSHIP OF MANAGEMENT

The table below is based on information obtained from the persons named therein with respect to the shares of Common Stock beneficially owned, as of August 22, 2002 (except as noted below), by (i) each person known by the Company to be the owner of more than 5% of the outstanding shares of Common Stock, (ii) each director of the Company, (iii) each executive officer of the Company, and (iv) all executive officers and directors of the Company as a group.

NAME AND ADDRESS OF BENEFICIAL OWNER (1)	AMOUNT AND NATURE OF BENEFICIAL OWNERSHIP (2)	PERCE OUTSTAND C

Gerald Zarin	1,238,000 (3)
Edward Bohn	107,000 (4)
Lyle Gramley	63,000 (5)
Joseph A. Sarubbi	78,000 (6)
Jeremiah F. O'Brien	183,000 (7)
Robert Webb	110,000 (8)
All executive officers and directors as	