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NUWAVE TECHNOLOGIES INC
Form SB-2
May 24, 2002

As filed with the Securities and Exchange Commission on May 24, 2002.

REGISTRATION NO. 333-_____

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

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 (Primary Standard (I.R.S. Employer
of Incorporation Industrial Classification Identification No.)
or Organization) Code Number)

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. [] _____

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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 SHARE (1)	PROPOSED AGGREGATE PRICE
Common Stock, par value \$.01 per share	5,238,095	\$0.56	\$2,933

(1) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(c) of the Securities Act of 1933. For purposes of this table, we have used the closing price as of May 17, 2002.

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 MAY 24, 2002

PROSPECTUS

5,238,095 Shares of Common Stock
par value \$.01 per share
NUWAVE TECHNOLOGIES, INC.

This prospectus relates to the sale of up to 5,238,095 shares of NUWAVE Technologies, Inc.'s common stock by certain persons who are stockholders of NUWAVE. Please refer to "Selling Stockholders" beginning on page 10. NUWAVE is not selling any shares of common stock in this offering and therefore will not receive any proceeds from this offering. We will, however, receive proceeds from the sale of common stock under the Equity Line of Credit. All costs associated with this registration will be borne by us. NUWAVE has agreed to pay Cornell Capital Partners, L.P. a fee of 4% of the proceeds raised by us under the Equity Line of Credit.

The shares of common stock are being offered for sale on a "best efforts" basis by the selling stockholders at prices established on the Nasdaq SmallCap Market during the term of this offering. There are no minimum purchase

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requirements. These prices will fluctuate based on the demand for the shares of common stock.

The selling stockholders consist of:

- o Cornell Capital Partners, L.P., which intends to sell up to 5,218,095 shares of common stock, including up to 5,000,000 shares to be purchased under the Equity Line of Credit Agreement.
- o Another selling stockholder, which intends to sell up to 20,000 shares of common stock issued upon our entry into the Equity Line of Credit Agreement.

Cornell Capital Partners, L.P. is an "underwriter" within the meaning of the Securities Act of 1933 in connection with the sale of common stock under the Equity Line of Credit Agreement. Cornell Capital Partners, L.P. will pay NUWAVE 97% of the lowest closing bid price for the five days immediately following the advance notice date. In addition, NUWAVE has paid Cornell Capital Partners a one-time commitment fee of 218,095 shares of common stock, and shall pay a fee of 4% of the amount of each advance. The 3% discount, the 4% fee and the one-time commitment fee are underwriting discounts.

NUWAVE has engaged Westrock Advisors, Inc., a registered broker-dealer, to advise it in connection with the Equity Line of Credit. Westrock Advisors, Inc. was paid a fee of 20,000 shares of NUWAVE's common stock. Westrock Advisors, Inc. is not an underwriter in this offering.

Our common stock is traded on the Nasdaq SmallCap Market under the symbol "WAVE." On May 17, 2002, the closing price of our common stock was \$.56.

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

	PRICE TO PUBLIC*	PROCEEDS TO SELLING STOCKHOLDERS
Per share	\$0.56	\$0.56
TOTAL	\$0.56	\$2,933,333

* For purposes of this table, we have assumed a market price of \$.56 per share of common stock, the closing price on May 17, 2002.

With the exception of Cornell Capital Partners, L.P., which is an "underwriter" within the meaning of the Securities Act of 1933, no other underwriter or person has been engaged to facilitate the sale of shares of common stock in this offering. This offering will terminate 24 months after the accompanying registration statement is declared effective by the Securities and Exchange Commission or after Cornell Capital Partners, L.P. has advanced \$3.0 million, whichever occurs first. None of the proceeds from the sale of stock by the selling stockholders will be placed in escrow, trust or any similar account.

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 May ____, 2002.

The information in this prospectus is not complete and may be changed. The

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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.

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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.

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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.

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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 June 2002, we are planning to introduce 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. We also entered into a strategic sales and marketing agreement with Partners in Europe ("PIE"), a Shannon, Ireland-based firm to establish a full-scale European distribution, sales, marketing and warehousing operation for NUWAVE. 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

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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 substantially 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.

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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

This offering relates to the sale of common stock by certain persons who are stockholders of NUWAVE. The selling stockholders consist of:

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- o Cornell Capital Partners, L.P., which intends to sell up to 5,218,095 shares of common stock.
- o Another selling stockholder, which intends to sell up to 20,000 shares of common stock issued pursuant to an Amended and Restated Equity Line of Credit Agreement.

Pursuant to the Equity Line of Credit, over a period of 24 months we may, at our discretion, periodically issue and sell to Cornell Capital Partners, L.P. shares of common stock for a total purchase price of \$3.0 million. The amount of each advance is subject to an aggregate maximum advance amount of \$100,000 in any seven business day period. Cornell Capital Partners, L.P. will purchase the shares of common stock for a 3% discount to the lowest closing bid price for the five days immediately following the advance notice date. In addition, NUWAVE will pay Cornell Capital Partners a fee of 4% of each advance. Pursuant to the Amended and Restated Equity Line of Credit Agreement, we paid a one-time commitment fee of \$150,000, payable in 218,095 shares of common stock. Cornell Capital Partners intends to sell any shares purchased under the Equity Line of Credit and the shares received as a fee from time to time in the open market, see "Plan of Distribution." Among other things, this prospectus relates to the shares of common stock to be issued under the Equity Line of Credit.

NUWAVE has engaged Westrock Advisors, Inc., a registered broker-dealer, to advise it in connection with the Equity Line of Credit. Westrock Advisors, Inc. was paid a fee of 20,000 shares of NUWAVE's common stock. Westrock Advisors, Inc. is not an underwriter in this offering.

Common Stock offered	5,238,095 shares by selling stockholders
Offering Price	Market price

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SECURITIES OUTSTANDING

At May 17, 2002, we had the following public securities outstanding:

Shares of Common Stock.....	12,455,032
IPO Warrants.....	2,530,000
Class A Warrants.....	2,057,207
Class B Warrants.....	1,044,304

Our common stock is traded on the Nasdaq SmallCap Market under the symbol "WAVE." Our public warrants are traded on the Nasdaq SmallCap Market under the symbols "WAVEW" and "WAVEZ." See "Market Price Information" for information regarding the possible delisting of the common stock from the Nasdaq SmallCap Market.

USE OF PROCEEDS

We will not receive any proceeds of the shares offered by the selling stockholders. Any proceeds we receive from the sale of common stock under the Equity Line of Credit will be used for sales and marketing, administrative expenses, and general working capital purposes. See "Use of Proceeds."

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.

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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.

STATEMENT OF OPERATIONS DATA	THREE MONTHS ENDED MARCH 31,		YEAR ENDED	
	2002	2001	2001	2000
Revenues:				
Sales less cost.....	\$ 128,000	\$ 1,000	\$ 197,000	\$ 10
Operating Expenses:				
Research and development.....	(150,000)	\$ (279,000)	\$ (1,165,000)	\$ (1,183
General and administration expenses.....	\$ (573,000)	\$ (581,000)	\$ (3,699,000)	\$ (3,314
Other Income (Expense)	\$ 2,000	\$ 42,000	\$ 76,000	\$ 264
(Provision) Benefit for income tax	--	--	\$ 318,000	\$ (66
(Loss).....	\$ (593,000)	\$ (817,000)	\$ (4,273,000)	\$ (4,289
Net Loss Per Share	\$ (0.05)	\$ (0.08)	\$ (0.40)	\$ (
Weighted average number of common shares outstanding.....	11,838,842	10,557,729	10,749,404	10,135

BALANCE SHEET DATA	THREE MONTHS ENDED MARCH 31, 2002	DECEMBER 31, 2001
Cash and cash equivalents.....	\$ 795,000	\$ 1,011,000
Total Assets.....	1,602,000	2,133,000
Total Current Liabilities.....	454,000	846,000
Total Stockholders' Equity.....	1,148,000	1,287,000

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

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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

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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 the next two years from the effective date of the registration statement of which this prospectus is a part. The Equity Line of Credit Agreement was amended and restated as of May 17, 2002. See "Equity Line of Credit." In their report of the audit of NUWAVE's financial statements for the year ended December 31, 2001, our independent auditors included an

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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.

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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

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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

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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 COMMERCIALY 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

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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

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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 COULD BE DELISTED FROM THE NASDAQ SMALLCAP MARKET IF WE DO NOT MEET THE MINIMUM REQUIREMENTS FOR CONTINUED LISTING.

The National Association of Securities Dealers maintains requirements for the continued listing on the Nasdaq SmallCap Market that include the following: the listed shares of common stock have a minimum bid price of \$1.00

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per share; companies with listed shares have net tangible assets of \$2 million (effective November 1, 2002 this will change to \$2.5 million in net equity) or market capitalization of \$35 million or net income (in the latest fiscal year or in two of the last three fiscal years) of \$500,000; and that the market value of the public float of its common stock be at least \$4 million. Since January 4, 2002, the minimum bid price of our stock has been less than \$1.00. We have been notified by Nasdaq that we have until August 19, 2002 to regain compliance under the minimum bid rule to avoid a delisting notification. At December 31, 2001, we had net tangible assets of \$1,287,000. We have also been notified by Nasdaq that as of December 31, 2001, we did not meet the various financial tests. We intend to raise additional cash through the Equity Line of Credit and other possible equity financings in an attempt to regain compliance under the financial tests. These equity financings should involve substantial dilution to the interests of our then existing shareholders. There can be no assurance that such additional capital will be available to us on commercially reasonable terms or at all.

OUR COMMON STOCK COULD 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 May 17, 2002, the closing bid price for our common stock, as quoted on the Nasdaq SmallCap Market, was \$.56 per share and therefore, our common stock is designated a "Penny Stock." As a penny stock, our common stock may become subject to Rule 15c-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 15c-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.

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The penny stock restrictions will not apply to our common stock if we continue to meet a \$2,000,000 minimum net tangible assets and a \$1.00 market price. There can be no assurance that our common stock will continue to qualify for exemption from the penny stock restrictions. 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

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 12,455,032 shares of common stock outstanding as of May 17, 2002, 9,049,353 shares are, or will be, freely tradable without restriction. The remaining 3,405,679 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.

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In addition, we have issued options to purchase up to 1,628,000 shares of our common stock and warrants to purchase up to 9,349,980 shares of common stock.

Upon 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 will 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 and a selling stockholder herein, 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.

EXISTING STOCKHOLDERS WILL EXPERIENCE SIGNIFICANT DILUTION FROM OUR SALE OF SHARES UNDER THE EQUITY LINE OF CREDIT

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 SALE OF OUR STOCK UNDER OUR EQUITY LINE OF CREDIT COULD ENCOURAGE SHORT SALES BY THIRD PARTIES, WHICH COULD CONTRIBUTE TO THE FURTHER DECLINE OF OUR STOCK PRICE

The significant downward pressure on the price of our common stock

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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.

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

Before this offering, our common stock has traded on the Nasdaq SmallCap Market. 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.

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 on the Nasdaq SmallCap Market. Accordingly, the price you pay in this offering may be higher or lower than the prices paid by other people participating in this offering.

WE MAY NOT BE ABLE TO ACCESS SUFFICIENT FUNDS UNDER THE EQUITY LINE OF CREDIT WHEN NEEDED

We are dependent on external financing to fund our operations. Our financing needs are expected to be provided from the Equity Line of Credit, in large part. No assurances can be given that such financing will be available in sufficient amounts or at all when needed.

THE ISSUANCE OF SHARES OF COMMON STOCK UNDER THIS OFFERING COULD RESULT IN A CHANGE OF CONTROL

We are registering 5,238,095 shares of common stock in this offering. These shares represent 30% of the common stock to be outstanding assuming successful completion of the sales under the Equity Line of Credit, and we anticipate all such shares will be sold in this offering. If all or a significant block of these shares are held by one or more stockholders working together, then such stockholder or stockholders would have enough shares to assume control of NUWAVE by electing its or their own directors.

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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

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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.

SELLING STOCKHOLDERS

The following table presents information regarding the selling stockholders. None of the selling stockholders have held a position or office, or had any other material relationship, with NUWAVE, except as follows:

- o Cornell Capital Partners, L.P. is the investor under the Equity Line of Credit. All investment decisions of Cornell Capital Partners are made by its general partner, Yorkville Advisors, LLC. Mark Angelo, the managing member of Yorkville Advisors, makes the investment decisions on behalf of Yorkville Advisors. Cornell Capital also received 218,095 shares of Common Stock as a commitment fee for entering into the Equity Line of Credit Agreement, which shares are being registered in this offering.
- o Westrock Advisors, Inc. is a registered broker-dealer that has been retained by the Company. It has provided advice to NUWAVE in connection with the Equity Line of Credit. For its services, Westrock Advisors, Inc. received 20,000 shares of NUWAVE's common stock, which shares are being registered in this offering.

SELLING STOCKHOLDER	SHARES BENEFICIALLY OWNED BEFORE OFFERING	PERCENTAGE OF OUTSTANDING SHARES BENEFICIALLY OWNED BEFORE OFFERING	SHARES TO BE ACQUIRED UNDER THE LINE OF CREDIT	PERCENTAGE OF OUTSTANDING SHARES TO BE ACQUIRED UNDER THE LINE OF CREDIT	SHARES SOLD OFFERING
Cornell Capital Partners, L.P.	218,095	1.8%	5,000,000	100%	5,2
Westrock Advisors, Inc.	20,000	*	0	0%	

*less than 0.1%.

USE OF PROCEEDS

This prospectus relates to shares of our common stock that may be offered and sold from time to time by certain selling stockholders. There will be no proceeds to us from the sale of shares of common stock in this offering. However, we will receive the proceeds from the sale of shares of common stock to Cornell Capital Partners, L.P. under the Equity Line of Credit. The Equity Line of Credit calls for a maximum of \$3.0 million of shares to be sold over a two-year period.

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For illustrative purposes, we have set forth below our intended use of proceeds for the range of net proceeds indicated below to be received under the Equity Line of Credit. The table assumes estimated offering expenses of \$85,000 and commitment fees of 4% of the gross proceeds raised under the Equity Line of Credit.

	AMOUNT -----	AMOUNT -----	A -
GROSS PROCEEDS	\$1,000,000	\$2,000,000	\$3,000,000
NET PROCEEDS	\$875,000	\$1,835,000	\$2,790,000
USE OF PROCEEDS:	AMOUNT -----	AMOUNT -----	A -
SALES AND MARKETING	\$100,000	\$150,000	\$200,000
ADMINISTRATIVE EXPENSES, INCLUDING SALARIES	100,000	200,000	200,000
GENERAL WORKING CAPITAL	675,000	1,485,000	2,390,000
TOTAL	\$875,000	\$1,835,000	\$2,790,000

DILUTION

The net tangible book value of NUWAVE as of March 31, 2002, was (\$1,148,000) or (\$0.09) per share of common stock. Net tangible book value per share is determined by dividing the tangible book value of NUWAVE (total tangible assets less total liabilities) by the number of outstanding shares of our common stock. Since this offering is being made solely by the selling stockholders and none of the proceeds will be paid to NUWAVE, our net tangible book value will be unaffected by this offering. Our net tangible book value, however, will be impacted by the common stock to be issued under the Equity Line of Credit. The amount of dilution will depend on the offering price and number of shares to be issued under the Equity Line of Credit. The following example shows the dilution to new investors at an offering price of \$.60 per share.

If we assume that NUWAVE had issued 5,000,000 shares of common stock under the Equity Line of Credit at an assumed offering price of \$.60 per share (i.e., the maximum number of shares registered in this offering under the Equity Line of Credit excluding the 238,095 shares issued as a commitment fee and the placement agent's fee), less offering expenses of \$85,000, our net tangible book value as of March 31, 2002, would have been \$3,943,000 or \$0.23 per share. Note that at an offering price of \$.60 per share, NUWAVE would receive gross proceeds of \$3.0 million, or all available funds under the Equity Line of Credit. Such an offering would represent an immediate increase in net tangible book value to existing stockholders of \$0.14 per share and an immediate dilution to new stockholders of \$0.37 per share, or 62%. The following table illustrates the per share dilution:

Assumed public offering price per share	\$0.60
Net tangible book value per share before this offering	\$0.09

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Increase attributable to new investors	\$0.14	

Net tangible book value per share after this offering		\$0.23

Dilution per share to new stockholders		\$0.37
		=====

The offering price of our common stock is based on the then-existing market price. In order to give prospective investors an idea of the dilution per share they may experience, we have prepared the following table showing the dilution per share at various assumed offering prices:

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ASSUMED OFFERING PRICE	NUMBER OF SHARES TO BE ISSUED (1)	DILUTION PER SHARE TO NEW INVESTORS
-----	-----	-----
\$0.80	3,750,000	\$0.53
\$0.60	5,000,000	\$0.37
\$0.50	5,000,000	\$0.30

(1) This represents the maximum number of shares of common stock that will be registered under the Equity Line of Credit.

PLAN OF DISTRIBUTION

The selling stockholders have advised us that the sale or distribution of NUWAVE's common stock owned by the selling stockholders may be effected directly to purchasers by the selling stockholders or by pledgees, donees, transferees or other successors in interest, as principals or through one or more underwriters, brokers, dealers or agents from time to time in one or more transactions (which may involve crosses or block transactions) (i) on the Nasdaq SmallCap Market or in any other market on which the price of NUWAVE's shares of common stock are quoted or (ii) in transactions otherwise than on the Nasdaq SmallCap Market or in any other market on which the price of NUWAVE's shares of common stock are quoted. Any of such transactions may be effected at market prices prevailing at the time of sale, at prices related to such prevailing market prices, at varying prices determined at the time of sale or at negotiated or fixed prices, in each case as determined by the selling stockholders or by agreement between the selling stockholders and underwriters, brokers, dealers or agents, or purchasers. If the selling stockholders effect such transactions by selling their shares of NUWAVE's common stock to or through underwriters, brokers, dealers or agents, such underwriters, brokers, dealers or agents may receive compensation in the form of discounts, concessions or commissions from the selling stockholders or commissions from purchasers of common stock for whom they may act as agent (which discounts, concessions or commissions as to particular underwriters, brokers, dealers or agents may be in excess of those customary in the types of transactions involved). The selling stockholders and any brokers, dealers or agents that participate in the distribution of the common stock may be deemed to be underwriters, and any profit on the sale of common stock by them and any discounts, concessions or commissions received by any such underwriters, brokers, dealers or agents may be deemed to be underwriting discounts and commissions under the Securities Act.

Cornell Capital Partners, L.P. is an "underwriter" within the meaning of the Securities Act of 1933 in connection with the sale of common stock under

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the Equity Line of Credit. Cornell Capital Partners, L.P. will pay NUWAVE 97% of the lowest closing bid price of NUWAVE's common stock on the Nasdaq SmallCap Market or other principal trading market on which our common stock is traded for the five days immediately following the advance notice date. In addition, Cornell Capital Partners will receive a fee of 4% of the proceeds received by NUWAVE under the Equity Line of Credit, plus a one-time commitment fee of \$150,000 payable in 218,085 shares of common stock. The 3% discount, the 4% fee and the one-time commitment fee are underwriting discounts.

In addition, NUWAVE engaged Westrock Advisors, Inc., a registered broker-dealer, to advise it in connection with the Equity Line of Credit. For its services, Westrock Advisors, Inc. received 20,000 shares of NUWAVE's common stock.

Cornell Capital Partners, L.P. was formed in February 2000 as a Delaware limited partnership. Cornell Capital Partners is a domestic hedge fund in the business of investing in and financing public companies. Cornell Capital Partners does not intend to make a market in NUWAVE's stock or to otherwise engage in stabilizing or other transactions intended to help support the stock price. Prospective investors should take these factors into consideration before purchasing NUWAVE's common stock.

Under the securities laws of certain states, the shares of common stock may be sold in such states only through registered or licensed brokers or dealers. The selling stockholders are advised to ensure that any underwriters, brokers, dealers or agents effecting transactions on behalf of the selling stockholders are registered to sell securities in all fifty states. In addition, in certain states the shares of common stock may not be sold unless the shares have been registered or qualified for sale in such state or an exemption from registration or qualification is available and is complied with.

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We will pay all the expenses incident to the registration, offering and sale of the shares of common stock to the public hereunder other than commissions, fees and discounts of underwriters, brokers, dealers and agents. We have agreed to indemnify Cornell Capital Partners and its controlling persons against certain liabilities, including liabilities under the Securities Act. We estimate that the expenses of the offering to be borne by us will be approximately \$85,000, as well as retention of 4% of the gross proceeds received under the Equity Line of Credit. In addition, the offering expenses consist of: a Securities and Exchange Commission registration fee of \$701, printing expenses of \$5,000, accounting fees of \$10,000, legal fees of \$40,000 and miscellaneous expenses of \$29,299. We will not receive any proceeds from the sale of any of the shares of common stock by the selling stockholders. We will, however, receive proceeds from the sale of common stock under the Equity Line of Credit.

The selling stockholders should be aware that the anti-manipulation provisions of Regulation M under the Exchange Act will apply to purchases and sales of shares of common stock by the selling stockholders, and that there are restrictions on market-making activities by persons engaged in the distribution of the shares. Under Registration M, the selling stockholders or their agents may not bid for, purchase, or attempt to induce any person to bid for or purchase, shares of common stock of NUWAVE while such selling stockholders are distributing shares covered by this prospectus. Accordingly, except as noted below, the selling stockholders are not permitted to cover short sales by purchasing shares while the distribution is taking place. Cornell Capital Partners can cover any short positions only with shares received from NUWAVE under the Equity Line of Credit. The selling stockholders are advised that if a

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particular offer of common stock is to be made on terms constituting a material change from the information set forth above with respect to the Plan of Distribution, then, to the extent required, a post-effective amendment to the accompanying registration statement must be filed with the Securities and Exchange Commission.

EQUITY LINE OF CREDIT

Summary

On April 15, 2002, we entered into an Equity Line of Credit Agreement with Cornell Capital Partners, L.P., and amended and restated the Agreement as of May 17, 2002. Pursuant to the Equity Line of Credit Agreement, as amended and restated, we obtained an Equity Line of Credit under which, we may, at our discretion, periodically sell to Cornell Capital Partners shares of common stock for a total purchase price of up to \$3.0 million. For each share of common stock purchased under the Equity Line of Credit, Cornell Capital Partners will pay 97% of the lowest closing bid price on the Nasdaq SmallCap Market or other principal market on which our common stock is traded for the five days immediately following the advance notice date. Cornell Capital Partners is a private limited partnership whose business operations are conducted through its general partner, Yorkville Advisors, LLC. Further, Cornell Capital Partners will be paid a fee of 4% of each advance under the Equity Line of Credit. The effectiveness of the sale of the shares under the Equity Line of Credit is conditioned upon us registering the shares of common stock with the Securities and Exchange Commission. The costs associated with this registration will be borne by us.

The Equity Line of Credit is non-exclusive, thereby permitting us to offer and sell our securities to third parties while the Equity Line of Credit is in effect. We can terminate the Equity Line of Credit Agreement at any time, provided there is no pending advance thereunder.

Equity Line of Credit Explained

Pursuant to the Equity Line of Credit, we may periodically sell shares of common stock to Cornell Capital Partners, L.P. to raise capital to fund our working capital needs. The periodic sale of shares is known as an advance. We may request an advance every seven trading days. A closing will be held six trading days after such written notice at which time we will deliver shares of common stock and Cornell Capital Partners, L.P. will pay the advance amount.

We may request the initial advance under the Equity Line of Credit upon the effective date of the registration statement of which this prospectus is a part. Thereafter, we may continue to request advances until Cornell Capital Partners has advanced \$3.0 million or two years after the effective date of the registration statement, whichever occurs first.

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The amount of each advance is subject to an aggregate maximum advance amount of \$100,000 in any seven business day period. The amount available under the Equity Line of Credit is not dependent on the price or volume of our common stock.

We cannot predict the actual number of shares of common stock that will be issued pursuant to the Equity Line of Credit, in part, because the purchase price of the shares will fluctuate based on prevailing market conditions and we have not determined the total amount of advances we intend to draw. NUWAVE is registering 5,000,000 shares of common stock for the sale under the Equity Line

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of Credit. Nonetheless, we can estimate the number of shares of our common stock that will be issued using certain assumptions. Assuming NUWAVE issued the maximum number of shares of common stock being registered in the accompanying registration statement at a recent price of \$0.60 per share, NUWAVE would issue 5,000,000 shares of common stock to Cornell Capital Partners, L.P. for gross proceeds of \$3.0 million, or all available funds under the Equity Line of Credit. These shares would represent 29% of our outstanding common stock upon issuance. However, under the Equity Line of Credit Agreement, we cannot request in any single advance a number of shares that would exceed 9.9% of our then-outstanding common stock.

The issuance of shares under the Equity Line of Credit may result in a change of control. That is, up to 5,000,000 shares of common stock could be issued under the Equity Line of Credit (i.e., the maximum number of shares being registered in the registration statement). If all or a significant block of these shares are held by one or more stockholders working together, then such stockholder or stockholders would have enough shares to assume control of NUWAVE by electing its or their own directors.

Proceeds used under the Equity Line of Credit will be used in the manner set forth in the "Use of Proceeds" section of this prospectus. We cannot predict the total amount of proceeds to be raised in this transaction because we have not determined the total amount of the advances we intend to draw.

You should be aware that there is an inverse relationship between our stock price and the number of shares to be issued under the Equity Line of Credit. That is, as our stock price declines, we would be required to issue a greater number of shares under the Equity Line of Credit for a given advance. This inverse relationship is demonstrated by the following table, which shows the number of shares to be issued under the Equity Line of Credit at a recent price of \$0.65 per share and 25% and 50% discounts to the recent price. This table does not take into account any shares of our common stock that would be issued upon exercise of options or warrants.

		25% DISCOUNT -----	50% DISCOUNT -----
Purchase Price:	\$0.65	\$0.49	\$0.325
Number of Shares (1):	4,615,385	6,122,449	9,230,769
Total Outstanding (2):	17,070,417	18,577,481	21,685,801
Percent Outstanding (3):	27%	33%	43%

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- (1) Represents the number of shares of common stock to be issued to Cornell Capital Partners, L.P. at the prices set forth in the table, and assumes that an amended registration statement or new registration statement would be filed in the event the shares to be sold to Cornell Capital Partners, L.P. exceeds 5,000,000 shares.
 - (2) Represents the total number of shares of common stock outstanding after the issuance of the shares to Cornell Capital Partners, L.P.
 - (3) Represents the shares of common stock to be issued as a percentage of the total number of shares outstanding.

MARKET PRICE INFORMATION

Our common stock is 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 (through May 17, 2002)	0.71	0.51

See the cover page of this prospectus for the last sales price of the common stock reported on the Nasdaq SmallCap Market as of a recent date.

The National Association of Securities Dealers maintains requirements for the continued listing on the Nasdaq SmallCap Market that include the following: the listed shares of common stock have a minimum bid price of \$1.00 per share; companies with listed shares have net tangible assets of \$2 million (effective November 1, 2002 this will change to \$2.5 million in net equity) or market capitalization of \$35 million or net income (in the latest fiscal year or in two of the last three fiscal years) of \$500,000; and that the market value of the public float of its common stock be at least \$4 million. Since January 4, 2002, the minimum bid price of our stock has been less than \$1.00. We have been notified by Nasdaq that we have until August 19, 2002 to regain compliance under the minimum bid rule to avoid a delisting notification. At December 31, 2001, we had net tangible assets of \$1,287,000. We have also been notified by Nasdaq that as of December 31, 2001, we did not meet the various financial tests. We intend to raise additional cash through the Equity Line of Credit and other possible equity financings in an attempt to regain compliance under the financial tests. These equity financings should involve substantial dilution to the interests of our then existing shareholders. There can be no assurance that such additional capital will be available to us on commercially reasonable terms or at all.

On May 17, 2002, there were approximately 165 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.

Our initial public offering warrants and Class A common stock purchase warrants are included on the Nasdaq SmallCap Market under the symbols "WAVEW" and "WAVEZ" respectively.

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

The following discussion should be read in conjunction with our

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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 than 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.

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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:	THREE MONTHS ENDED MARCH 31,	YEAR ENDED DECEMBER 31,
	----- 2002 -----	----- 2001 -----
(in thousands, except share data)	----- 2000 -----	
Revenues	\$ 268	\$ 505
Net Loss	\$ (593)	\$ (4,273)
Net loss per common share	\$ (0.05)	\$ (0.40)
Weighted average number of shares	11,838,842	10,749,404
	-----	-----
	MARCH 31,	DECEMBER 31,
	-----	-----
BALANCE SHEET DATA:	2002	2001
	-----	-----
Working capital	\$ 766	\$ 895
Total assets	\$ 1,602	\$ 2,133
Total liabilities	\$ 454	\$ 846
Stockholders' equity	\$ 1,148	\$ 1,287
	-----	-----
	2000	2000
	-----	-----
	3,767	4,885
	417	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

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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

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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

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1999 relating to the results of an arbitration settlement with Rave Engineering Corp.

Three Months Ended March 31, 2002 Compared to Three Months Ended March 31, 2001

Revenues for the quarter ended March 31, 2002 were \$268,000 compared to \$2,000 for the quarter ended March 31, 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 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. Initial shipments of the VGE and ASIC chips to Gemini took place during the first quarter of 2002. Cost of sales for the quarter was \$140,000 compared to \$1,000 for the same three-month period in 2001. During the three months ended March 31, 2002, \$150,000 was spent on research and development activities compared to \$279,000 for the same three-month period in 2001, a decrease of \$129,000. This decrease was a direct result of the completion of the Company's core technologies during 2001. General and administrative expenses for the current first quarter totaled \$573,000 representing a decrease of \$7,000 compared to the quarter ended March 31, 2001. Such decrease was the result of decreases in payroll of \$43,000 and other 17,000, which were offset by increased sales and marketing costs of \$33,000, combined with increases in professional fees of \$20,000.

Interest income (net of interest expense) was \$2,000 for the quarter ended March 31, 2002 as compared to \$42,000 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 \$593,000 for the quarter ended March 31, 2002 compared to a net loss for the quarter ended March 31, 2001, of \$817,000.

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.

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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.

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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 was 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. 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 the two years immediately following the effective date of the registration statement of which this prospectus is a part. 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.

On March 31, 2002, we had cash and cash equivalents of approximately \$795,000 and no long-term liabilities. We anticipate that with our cash currently on hand and the completion of an effective registration statement relating to the Equity Line of Credit, we will 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 complete a registration and sale of our Common Stock pursuant to this agreement; 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

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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.

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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 June 2002, we are planning to introduce 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. We also entered into a strategic sales and marketing agreement with Partners in Europe ("PIE"), a Shannon, Ireland-based firm to establish a full-scale European distribution, sales, marketing and warehousing operation for NUWAVE. 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 substantially 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.

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

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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 US 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

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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

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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,

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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

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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

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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

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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. We are also nearing completion of the NVP 1104 ASIC chip, a step-up product to the current NVP 104 ASIC. The NVP 1104 is expected to be completed in June 2002.

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,

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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. Gemini expects to begin marketing the VGE under the Zenith brand in July 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

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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. To help ensure our European success and ensure better follow through support at the local level, in February 2002, we retained Menno Buys, who resides in Amsterdam and who has a solid and successful business development background, to take charge of our European operations. We are looking for a strategic partner or partners in Europe similar to Gemini in North America. 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

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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 June 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.

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.

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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

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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

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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

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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 May 17, 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. Our officers serve at the discretion of the Board of Directors.

NAME	AGE	POSITION
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Gerald Zarin	61	Chairman of the Board of Directors, President and Executive Officer

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Edward Bohn	56	Director
Richard E. Ekstract	71	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 Emers