NUWAVE TECHNOLOGIES INC
Form 424B3
August 03, 2001

PROSPECTUS

9,098,402 Shares of Common Stock
par value $.01 per share

NUWAVE TECHNOLOGIES, INC.

This prospectus relates to the offering, from time to time, of up to 9,098,402 shares of NUWAVE Technologies common stock, par value $.01 per share, on terms to be determined at the time of sale. All of the shares of our common stock offered by this prospectus are subject to presently outstanding warrants. We will pay all expenses in connection with the registration and offering of the shares under the Securities Act of 1933. We will not receive any proceeds on the sale of the shares, but will receive proceeds upon the exercise of the warrants.

Our outstanding shares of common stock are, and the shares offered for sale by this prospectus are expected to be, traded on the Nasdaq SmallCap Market under the symbol "WAVE." On July 27, 2001, the closing price of our common stock was $1.10. Our public warrants are traded on the Nasdaq SmallCap Market under the symbols "WAVEW" and "WAVEZ" On July 27, 2001, the closing price of our WAVEW warrants was $0.20, and the closing price for our WAVEZ warrants was $0.34.

INVESTING IN THE COMMON STOCK INVOLVES SUBSTANTIAL RISKS. SEE "RISK FACTORS" BEGINNING ON PAGE 6.

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 July 31, 2001.

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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.

PROSPECTUS SUMMARY

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

NUWAVE

GENERAL

We recently started commercializing our technologies, having been a development stage enterprise since our organization in July 1995. Our mission is to identify, develop and commercialize high-margin, proprietary technologies suited for high-volume, high-growth markets and, in turn, achieve attractive long-term growth for our company. We have been focusing on technology related to image and video enhancement designed to enrich picture and video output with clearer, more defined detail in texture, color, contrast and tone, at low cost. Our initial products can be used by individuals over the Internet for improving their personal photographs, and for placement in products which have display screens and for supplementing existing television monitors and video game displays. 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) Hardware and Retail Products and 3) Digital Filtering Technology (PicturePrep(TM) Technology).

NVP ASIC 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 seeking to license this technology and/or have it manufactured in the form of ASICs (Application Specific Integrated Circuit) chips through third parties and to directly market these products to OEM's, which by incorporating this enabling technology would improve picture quality in their set-top boxes, televisions, VCR's, DVD's, camcorders and other video output devices. The completed NVP 104 plastic (silicon) chip is 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. Several of these potential customers have expressed serious interest in this technology. As a result, after signing confidentiality/non-disclosure agreements, these OEM's have received our specially designed evaluation boards using the patented NVP 104 chip. This board enables them to conduct the necessary testing and evaluation of the chip as it applies to their specific product(s). We believe that these activities will lead to orders being received during the third quarter of 2001.

Hardware and Retail Products

We recently completed development of the VGE 101 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.

We are introducing the VGE 101 through select distributors and manufacturer's representatives who sell to nationally known retail chains. We know of no competitive device that is capable of similarly enhancing a video game. In June 2001, the VGE 101 became available in a major US specialty retailer and we entered into a strategic sales and marketing agreement with an Irish company for access to its European sales and distribution network. In July, as a result of this strategic agreement, we received a VGE order from a leading UK distributor of gaming hardware software and accessories. Marketing efforts are being conducted for placement of the VGE 101 in additional retailers for the 2001 Christmas season. Based on the success of the VGE 101, we plan to introduce additional video enhancing retail products for consumers who do not have NVP-enabled products for their TV's but want to improve the picture quality of their home viewing.

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Digital Software (PicturePrep(TM) Technology)

In addition to the NVP 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. In March 2001, this software was upgraded to PicturePrep(TM) Deluxe 2001 with new file management and uploading capabilities. Also in March 2001, the first Mac version for Apple computers was released. These products are the first downloadable software products with the ability to enhance both pictures and streaming video from virtually any PC program or while surfing the Internet using a PC. In addition to direct on-line consumer sales (B to C sales), we have begun marketing this technology directly to businesses (B to B) in order to expand our OEM customer base.

We plan to license the digital filtering technology associated with PicturePrep(TM) Deluxe 2001 to OEM's for embedding in products such as PC's, printers, scanners, camcorders and DVD's, among other digital imaging devices. The PicturePrep(TM) Deluxe 2001 software product can also be bundled with the sale of a third party's product. As noted below, we have also begun the marketing our software products to retailers for sale in their camera, film and film processing departments. The PicturePrep(TM) 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. Purchasers of PicturePrep(TM) Deluxe 2001 receive a free membership in PicturePrepClub.com described more fully below.

PicturePrepClub.com, an Internet photo portal, was also launched during 2000 to serve not only as our e-commerce hub for the sale of the PicturePrepSuite line of products but also to provide club members with unlimited gallery space to exhibit photos, as well as an array of products including online print services and gifts such as imprinted T-shirts, mugs and mouse pads. PicturePrepClub.com revenue sources are expected to include membership sales, product sales, on-line print services and advertising. In connection with the PicturePrepClub.com Web site, we have entered into an agreement with Eastman Kodak Company whereby Print@KODAK is our exclusive on-line fulfillment service to deliver prints and photoproducts directly to consumers' homes. This service became available to PicturePrepClub members on August 17, 2000. We believe this focused image enhancement product strategy provides our company with proprietary solutions for sale in both analog and digital formats to meet the continuing evolution and convergence of the PC to television and video markets and the worldwide trend towards digital devices. We intend to support the above sales efforts through various sales and marketing programs and activities including trade advertising, attendance at industry trade shows, attendance at participating dealer shows, attendance at end-user events, literature mailers and co-op dealer advertising.

We are concentrating our activities primarily on the introduction and launch of our VGE 101 along with marketing and sales of our ASIC line of chips, our digital software technology and our Internet presence to the OEM, professional video and retail markets and on the continuing development of our digital and analog video enhancement technology. Also, we are currently conducting investigation and research and development activities with respect to other new technologies and products to address the digital, PC and Internet markets. These activities may give rise to additional products that may be commercialized by our company.

We believe this focused digital and analog image enhancement product strategy will provide our company with an expanded 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 some revenue from the sale of our proprietary software and the NVP products during 2001, no assurance can be given that these products will be successfully marketed during such period. Even if revenues are produced from the sale of such products, we expect to continue to incur losses for at least the next twelve months. See "Risk Factors."

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.

THE OFFERING

SECURITIES OFFERED

We issued warrants in connection with our 1996 initial public offering (the "1996 IPO"), our 1998 private placement (the "1998 Placement"), and our 2000 private placement (the "2000 Placement"). As part of this issuance we agreed to register under the Securities Act the shares of our common stock underlying these warrants and also agreed to bear the cost of filing and maintaining such registration. We are offering:

- up to 3,789,500 shares of common stock issuable upon exercise of 2,750,000 warrants issued in connection with our 1996 initial public offering, each of which is exercisable for 1.378 shares of common stock upon payment of $3.99, until July 3, 2002. In May 2001, we extended the expiration date of these warrants and related underwriter's warrants by one year to July 3, 2002 and also changed the "trigger price" for our right to call these warrants to 120% of the exercise price.

- up to 220,000 shares of common stock issuable upon exercise of 220,000 underwriters warrants issued in connection with our initial public offering, each of which is exercisable for one share of common stock upon payment of $8.25, until July 3, 2002.

- up to 2,057,207 shares of common stock issuable upon exercise of 2,057,207 Class A common stock purchase warrants issued in connection with the 1998 Placement of our securities, each of which is exercisable for one share of common stock upon payment of $3.24, until May 11, 2003.

- up to 688,084 shares of common stock issuable upon exercise of 688,084 placement agent unit warrants, issued in connection with the 1998 Placement of our securities, each of which is exercisable for one share of common stock at prices ranging from $2.50 to $3.06, until May 11, 2003.

- up to 516,068 shares of common stock issuable upon exercise of Class A common stock purchase warrants issuable upon exercise of the 688,084 placement agent unit warrants issued in connection with the 1998 Placement, each of which is exercisable for .75 share of common stock upon payment of $3.24, until May 11, 2003.

- up to 1,044,304 shares of common stock issuable upon exercise of 1,044,304 Class B common stock purchase warrants issued in connection with the 2000 Placement of our securities, each of which is exercisable for one share of common stock upon payment of $3.95, until March 14, 2003.

- up to 522,159 shares of common stock issuable upon exercise of 522,159 placement agent unit warrants, issued in connection with the 2000 Placement of our securities, each of which is exercisable for one share of common stock upon payment of $3.16, until March 14, 2005.

o up to 261,080 shares of common stock issuable upon exercise of Class B common stock purchase warrants upon exercise of 522,159 placement agent unit warrants issued in connection with the 2000 Placement, each of which is exercisable for .50 share of common stock upon payment of $3.95, until March 14, 2005.

No executive officer or director of our company beneficially owns any of the outstanding warrants.

SECURITIES OUTSTANDING

At July 27, 2001, we had the following public securities outstanding:

Common Stock..............................	10,557,729
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

USE OF PROCEEDS

The shares of common stock covered by this prospectus are issuable on exercise of immediately exercisable outstanding warrants at exercise prices ranging from $3.16 to $8.25 and expiring from July 3, 2002 to March 14, 2005. We anticipate that we will receive approximately $34 million if all of these warrants are exercised, reduced by expenses related to the registration of the shares estimated at $50,000. Based upon agreements with the warrantholders, we are bearing all the expenses. We will use any proceeds for general working capital purposes.

We will not receive any proceeds from the sale of the common stock received upon exercise of the warrants.

RISK FACTORS

Investing in our securities involves a high degree of risk. You should read the disclosures we make beginning on page 6 under the heading "Risk Factors" in considering whether to invest in our common stock.

SUMMARY FINANCIAL AND OPERATING INFORMATION

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

	YEAR ENDED DECEMBER 31,			THREE MONTHS ENDED MARCH 31,	
STATEMENT OF INCOME DATA	1998	1999	2000	2000	2001
Revenues:					
Sales less cost.......	$ 7,639	$ 14,353	$ 10,052	$ 3,450	$ 1,21
Operating Expenses:					
Research and development...........	$ (1,572,364)	$ (938,745)	$ (1,182,833)	$ (363,370)	$ (236,09
General and administration expenses..............	$ (2,646,409)	$ (2,503,812)	$ (3,313,909)	$ (697,286)	$ (623,95
Other Income (Expense)...............	$ 212,863	$ (170,518)	$ 263,961	$ 36,760	$ 41,89
(Provision) Benefit for income tax..............	-	$ 908,350	$ (65,580)	-	
(Loss)..................	$ (3,998,271)	$ (2,690,372)	$ (4,288,309)	$ (1,020,446)	$ (819,93
Net Loss Per Share......	$ (0.55)	$ (0.32)	$ (0.42)	$ (0.12)	$ (0.0
Weighted average number of common shares outstanding....	7,259,896	8,419,644	10,135,345	8,859,069	10,557,72

	YEAR ENDED DECEMBER 31,		THREE MONTHS ENDED
BALANCE SHEET DATA	1999	2000	MARCH 31, 2001
Cash and cash equivalents............	$ 1,969,292	$ 3,847,402	$ 3,009,909
Total Assets.........................	$ 3,180,313	$ 4,884,564	$ 3,989,602
Total Current Liabilities............	$ 274,555	$ 417,443	$ 335,916
Total Stockholders' Equity...........	$ 2,905,758	$ 4,467,121	$ 3,653,686

RISK FACTORS

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

FINANCIAL RISKS

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

We have been a development stage enterprise shifting to commercialization and with 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 and our PicturePrepSuite2000 line of photo and video enhancement software and pre-marketing. Recently, we produced our first NVP Video Processor in an ASIC (Application Specific Integrated Chip) format for the OEM market, which is being tested by OEMs, and our Video Game Enhancer has been placed in several national retail chains.

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, 2001, we had an accumulated deficit of $20,983,443. Although we anticipate deriving some revenue from the sale of our VGE 101 and NVP (Video Processor) and related products and digital software products within the next twelve months, 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, manufacture and assembly, and general and administrative expenses. We anticipate that we will continue to have high levels of operating expenses and will be required to make significant expenditures in connection with our continued research and development activities and marketing efforts. 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 and will continue to be significant. We have been dependent upon the proceeds of sales of our securities to private investors to fund our initial development activities. Since our initial public offering in July 1996, we have obtained needed capital through private placements of our securities. The most recent private placement was in March 2000, when we received gross proceeds of $6.6 million selling 2,088,608 shares of common stock and 1,044,304 Series B common stock purchase warrants, excluding the warrants granted to the placement agent.

We anticipate, based on our current proposed plans and assumptions relating to our operations, that we have sufficient cash to satisfy all of our estimated cash requirements for the next twelve months. In the event of unanticipated expenses, delays or other problems, we might be required to seek additional funding elsewhere. Also, if we were to receive a larger than anticipated number

of initial purchase orders upon introduction of our NVP Video Processor products, we might require additional capital. No assurance can be given that we will be able to obtain such additional capital on commercially reasonable terms or at all. An inability to obtain additional financing, when needed, would have a material adverse effect on us, and possibly require it to curtail or cease operations. To the extent that any future financing involves the sale of our equity securities, our existing stockholders could be substantially diluted.

BUSINESS AND REGULATORY RISKS

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.

DEVELOPMENT OF OUR PRODUCTS IS SUBJECT TO ALL THE RISKS INHERENT IN THE DEVELOPMENT OF NEW TECHNOLOGY, SO THERE WILL NEED TO BE PRODUCT TESTING AND OTHER TECHNOLOGICAL FACTORS THAT MAY AFFECT THE SUCCESSFUL DEVELOPMENT OF OUR PRODUCTS.

Development of our products is subject to all of the risks inherent in the development of new technology and products including the following risks: unanticipated delays; expenses; technical problems or difficulties; and possible insufficiency of funding to complete development. There is no assurance as to when, or whether, we can successfully complete these developments. Further, there is no assurance that we can develop products in commercially salable form within its projected development schedule. If we are unable to complete our development activities for our proposed products, we would have to complete development through third parties. Management believes that we have sufficient resources to complete development of our products. However, there is no assurance that we will be able to complete such development in a timely manner, or at all. There is also no assurance that we can enter into economically reasonable arrangements for the completion of such products by third parties.

In connection with the development of commercially salable prototypes, we must successfully complete a testing program for our products before marketing them. Unforeseen technical problems arising out of such testing could significantly and adversely affect our ability to manufacture a commercially acceptable version. In addition, our success will depend upon our technology and proposed products meeting acceptable cost and performance criteria and upon their timely introduction into the marketplace. There can be no assurance that our technology and proposed products will satisfactorily perform the functions for which they are designed, that they will meet applicable price or performance objectives or that unanticipated technical or other problems will not occur.

Should any such problems arise, the result would be increased costs and/or material delays in the development of the proposed products.

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

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

We will be 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. Although we have entered into an agreement with a potential manufacturer of our NVP Video Processor ASIC chip, there can be no assurance that the manufacturer 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.

COSTS ASSOCIATED WITH MAINTAINING OUR WEB SITE ARE DIFFICULT TO PREDICT AND MAY EXCEED BUDGET.

We have budgeted a set amount to maintain our Web site, including the PicturePrep(TM) Web site. The costs may prove to exceed the amounts we have budgeted.

COMPETITION

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

With respect to the market for PicturePrep(TM), our product will directly compete with the products of numerous well-established companies, including Adobe Systems Incorporated, ULead Systems and Ofoto, Inc., and Eastman Kodak, some of which have photo-sharing Web sites. These companies also have photo-enhancing software for still photos.

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 proposed products and technology; continually enhance and improve our proposed products and technology; adapt our proposed products to be compatible with specific products manufactured by others; and successfully develop and market new products and technology.

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

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

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

In April 1998, we filed three U.S. patent applications for certain of our independently developed products: one for our NUWAVE Video Processor and two for our Softsets. Patents have been granted to us for each of these applications. In August 1999 we filed a U.S. patent application for our digital filter noise reduction algorithms and in May 2001 we were notified that the application has been approved for patent protection. 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.

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 our earnings, 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, 2000, we had available unused net operating loss carryforwards aggregating approximately $17,900,000 to offset future federal taxable income. The unused net operating loss carryforwards expire in various years from 2010 to 2020. 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.

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 fiduciary duty. 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 RISKS

MARKET PRICE FLUCTUATIONS

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

OUR COMMON STOCK COULD BE DELISTED FROM THE NASDAQ SMALLCAP MARKET IF WE DO NOT CONTINUE TO 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 per share; companies with listed shares have net tangible assets of $2,000,000 or market capitalization of $35,000,000 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 our common stock be at least $4,000,000.

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

The SEC 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 July 13, 2001, the closing bid and asked prices for our common stock, as quoted on the Nasdaq SmallCap Market, was $1.10 and $1.12 per share and therefore, our common stock is designated a "Penny Stock." As a penny stock, our common stock may become subject to Rule 15g-9 under the Exchange Act or the Penny Stock Rule. This rule imposes additional sales practice requirements on broker-dealers that sell such securities to persons other than established customers and "accredited investors" (generally, individuals with a net worth in excess of $1,000,000 or annual incomes exceeding $200,000, or $300,000 together with their spouses). For transactions covered by Rule 15g-9, a broker-dealer must make a special suitability determination for the purchaser and have received the purchaser's written consent to the transaction prior to sale. As a result, this rule may affect the ability of broker-dealers to sell our securities and may affect the ability of purchasers to sell any of our securities in the secondary market.

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

recent price information for the penny stock held in the account and information on the limited market in penny stock.

The penny stock restrictions will not apply to our common stock if we continue to meet a $2,000,000 minimum net tangible assets or 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 SEC the authority to restrict any person from participating in a distribution of penny stock, if the SEC finds that such a restriction would be in the public interest.

THE MARKET PRICE FOR OUR COMMON STOCK COULD DECLINE AS A RESULT OF SHARES THAT WILL BE ELIGIBLE FOR SALE IN THE FUTURE.

At June 30, 2001, 10,557,729 shares of our common stock were outstanding. In addition:

- 9,500,402 shares of common stock, including the 9,098,402 shares of common stock offered hereby, are issuable upon the exercise of warrants, and
- 1,722,000 shares of common stock are issuable upon the exercise of outstanding stock options.

The sale, or availability for sale, of substantial amounts of our common stock in the public market could adversely affect the prevailing market price of our common stock and could impair our ability to raise additional capital when needed through the sale of its equity securities.

If our common stock is delisted from the Nasdaq SmallCap Market and becomes subject to the rules on penny stocks, the market liquidity for our common stock could be materially adversely affected.

USE OF PROCEEDS

The shares of common stock covered by this prospectus are issuable on exercise of immediately exercisable outstanding warrants at exercise prices ranging from $3.16 to $8.25 and expiring from July 3, 2002 to March 14, 2004. We anticipate that we will receive approximately $34 million if all of these warrants are exercised, reduced by expenses related to the registration of the shares estimated at $50,000. Based upon agreements with the warrantholders, we are bearing all the expenses. We will use the proceeds for general working capital purposes, including marketing and research and development purposes.

We will not receive any proceeds from the sale of the common stock received upon exercise of the warrants.

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 1999		
First Quarter	$3.50	$1.50
Second Quarter	$2.41	$1.31
Third Quarter	$3.63	$1.94
Fourth Quarter	$3.50	$2.00
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 (through July 27, 2001)	$1.22	$1.06

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.

On July 20, 2001, there were approximately 244 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 OR PLAN OF OPERATION

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

GENERAL

We recently started commercializing our technologies, having been a development stage enterprise since our organization in July 1995. Our mission is to identify, develop and commercialize high-margin, proprietary technologies suited for high-volume, high-growth markets and, in turn, achieve attractive long-term growth for our company. We have been focusing on technology related to image and video enhancement designed to enrich picture and video output with clearer, more defined detail in texture, color, contrast and tone, at low cost. Our initial products can be used by individuals over the Internet for improving their personal photographs, and for placement in products which have display screens and for supplementing existing television monitors and video game displays. Our 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) Hardware and Retail Products and 3) Digital Software (PicturePrep(TM) Technology).

As of March 31, 2001, we had an accumulated deficit during the development stage of $20,983,443, which includes a net loss for the three months ended March 31, 2001 of $816,935. The loss for the three months ended March 31, 2001 included $623,956 in general and administrative expenses, representing a decrease of $73,330 compared to the three-month period ended March 31, 2000. Such decrease was primarily the result of reduced sales and marketing costs ($114,317), discussed more fully below combined with a decrease in investor relations ($78,474). These decreases were partially offset by increases in amortization ($42,635), China office expenses ($31,404), payroll costs ($22,463) and other expenses ($22,960).

Although we anticipate deriving some revenue from the sale of our proprietary software and the NVP Video Processor products during 2001, no assurance can be given that these products will be successfully marketed during such period. See "Liquidity and Capital Resources."

LIQUIDITY AND CAPITAL RESOURCES

From inception until the initial public offering, our company 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. In July 1996, we completed our initial public offering and received net proceeds of $9,538,428. We used $2,073,652 of the net proceeds of the initial public offering to repay the principal and interest on the outstanding notes issued to investors in connection with the private financings. On February 6, 1998, 253,485 shares of our common stock were issued for an aggregate purchase price of $1,000,000 to a Private Limited Partnership. On May 11, 1998, we entered into a placement agency agreement with Janssen-Meyers to act as our placement agent in a private equity placement whereby we issued 2,742,904 shares of our common stock and 2,057,207 Class A Warrants between May 19, 1998 and June 9, 1998 for an aggregate purchase price of $7,280,546.

On March 14, 2000, we completed a private placement of 2,088,608 shares of our common stock and 1,044,304 Class B Warrants for an aggregate purchase price of $6,600,000.

On March 31, 2001 we had cash and cash equivalents of approximately $3,009,909 and no long-term liabilities. We anticipate, based on current proposed plans and assumptions relating to our operations, that we have sufficient cash to satisfy our estimated cash requirements for at least the next twelve months. In the event of unanticipated expenses, delays or other problems beyond this period, we might be required to seek additional funding. In addition, in the event that we receive a larger than anticipated number of initial purchase orders upon introduction of our NVP Video Processor products, we may require resources greater than our available cash or than are otherwise available to us. In such event, we may be required to raise additional capital. There can be no assurance that such additional capital will be available to us if needed, on commercially reasonable terms or at all.

PLAN OF OPERATION

Our plan of operation over the next twelve months focuses primarily on transitioning from a development stage organization to an operating company. This transition includes the marketing and sales of our ASIC line of chips and our new video game enhancer (the "VGE"), our digital software technology and our Internet presence to the OEM, professional video and retail markets and on the continuing development of our digital and analog video enhancement technology. In addition, through our strategic alliance with MemoryLink Corp., we plan to market wireless video technology, as the products become available, to the same OEM customer base that we are currently marketing our analog and digital technology. Also, we plan, through our Advanced Engineering Group and agreements with third parties, to continue to conduct investigation and research and development activities with respect to other new technologies/products to address the digital, PC and Internet markets. These activities may give rise to additional products that may be commercialized by us. However, there can be no assurance that our efforts will result in marketable products or products that can be produced at commercially acceptable costs.

Our future performance will be subject to a number of business factors, including those beyond our control, such as economic downturns and evolving industry needs and preferences, as well as the level of competition and the ability of our company to successfully market our products and technology. There can be no assurance that we will be able to successfully implement a marketing strategy, generate significant revenues or achieve profitable operations. In

addition, because our company has had only limited operations to date, there can be no assurance that our estimates will prove to be accurate or that unforeseen events will not occur.

BUSINESS

GENERAL

We recently started commercializing our technologies, having been a development stage enterprise since our organization in July 1995. Our mission is to identify, develop and commercialize high-margin, proprietary technologies suited for high-volume, high-growth markets and, in turn, achieve attractive long-term growth for our company. We have been focusing on technology related to image and video enhancement designed to enrich picture and video output with clearer, more defined detail in texture, color, contrast and tone, at low cost. Our initial products can be used by individuals over the Internet for improving their personal photographs, and for placement in products which have display screens and for supplementing existing television monitors and video game displays. Our 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) Hardware and Retail Products and 3) Digital Software (PicturePrep(TM) Technology).

Our company is concentrating its activities primarily on the marketing and sales of its ASIC line of chips, the VGE, our digital software technology and Internet presence to the OEM, professional video and retail markets and on the continuing development of digital and analog video enhancement technology. We also conducting investigation and research and development activities with respect to additional new technologies/products to address the consumer retail, digital, PC and Internet markets. These activities may give rise to additional products that we may commercialize.

We believe this focused digital and analog image enhancement product strategy provides us with an expanded technology base, product line and services offered to potential customers. This strategy 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 its business without significant additional capital expenditures (see Management Discussion and Analysis - Liquidity and Capital Resources). Although the Company anticipates deriving revenue from the sale of its proprietary software and the NVP products during 2001, no assurance can be given that these products will be successfully marketed during such period.

History

Our company was conceived of by Mr. Ernest Chu in June 1994 when he met with Mr. Ted Wong, the President of Prime Technology, Inc. ("Prime") as a result of an introduction by employees of a high-technology company for which Mr. Chu was then rendering consulting services in his individual capacity. At that time, Prime was the exclusive licensee of Rave Engineering Corp.'s ("Rave") technology. The parties recognized the need for an experienced president to operate the new company and to commercialize the products, and began negotiations with Mr. Gerald Zarin, whom Mr. Wong had recently met, to accept that position and participate in the Company's equity. Negotiations commenced in December 1994 and continued among Mr. Zarin, Mr. Chu, Mr. Wong on behalf of Prime and Mr. Randy Burnworth on behalf of Rave through early July 1995. As a result of these negotiations, our company was organized in July 1995, at which time Prime terminated its exclusive license arrangement with Rave and our company entered into the License Agreement. In addition, Rave agreed to continue the development of the technology and the initial products pursuant to the Development Agreement and Prime became our exclusive agent to sublicense the products covered by the License Agreement to third parties (subject in all cases to our approval) under the terms of the Agency Agreement. Mr. Zarin became the Company's President and Mr. Chu became the Chairman of our Board of Directors and acting Chief Financial Officer. Mr. Wong became a director of our company.

We believe that Rave had not performed the services required under the Development Agreement. In November 1998, we commenced an arbitration proceeding (the "Arbitration") against Rave and Randy Burnworth. On May 28, 1999, pursuant to a Settlement Agreement, the Arbitration was resolved and the License Agreement was terminated. As a result of the Settlement Agreement, we continue to maintain exclusive worldwide license rights to make, market and license its video enhancement technology free of any claims of ownership or inventorship by Rave and /or Prime.

BACKGROUND--VIDEO IMAGES

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

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

Modern video telecommunications, such as satellite broadcasting and cable television, generally combine both analog and digital processes in order to capture and transmit images. For example, in digital satellite video telecommunication the image is digitized by a computer processor and then broadcast to a satellite. The digital information is received and rebroadcast by the satellite directly to a receiver, and then reconstituted into energy in the form of an analog wave and displayed at 30 fps to create a visible image.

Band widths 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 and Softsets

Our patented NVP controls, corrects and improves analog video signals using digital control (software). The NVP first detects and replaces all important picture synchronization and stability attributes. It then corrects the color and black and white information. The NVP enhances fine details of an image and reduces distortions incurred in the course of transmitting the image, corrects

the pure black content of images and adjusts perceived light on projected images. Fine detail enhancement is achieved by a proprietary circuit that analyzes the form of the analog waves at the point of origin or display, and processes the wave to significantly increase the clarity of the image.

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

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

The NVP can be used prior to further processing of the Analog Video Wave at the source of the video signal and/or at the other end of the process prior to the display of the video image. In the form of a chip, it can be included in a television set, video projector or in a video conference display or in the decoder or routing box that connects a typical television to a cable broadcasting company or a multichannel satellite provider. The NVP also can be included in any personal computer that has a 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-103 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.

In 1999, we wished to offer digital technology solutions and to create and enter into an e-commerce environment. Based upon the power of our proprietary noise reduction algorithms a software program, initially known as Picture Wizard and later renamed PicturePrep(TM), was developed for users to correct, improve and enhance digital streaming video and digital photography. PicturePrep 2000, the product, and www.PicturePrep.com were introduced during 2000. This became the first downloadable software product with the ability to enhance both pictures and streaming video from virtually any PC program or while surfing the internet using a PC. In March 2001, this software was upgraded to PicturePrep(TM) Deluxe 2001 with new file management and uploading capabilities. Also in March 2001, the first retail Mac version for Apple Computers was released.

PicturePrepClub.com, an internet photo portal, was also launched during 2000 to serve not only as our e-commerce hub for the sale of the PicturePrepSuite line of products but also to provide club members with unlimited gallery space to exhibit photos, as well as an array of products including online print services and gifts such as imprinted T-shirts, mugs, mouse pads, etc. PicturePrepClub.com revenue sources are expected to include membership sales, product sales, on-line print services and advertising. In connection with the PicturePrepClub.com Web site, we have entered into an agreement with Eastman Kodak Company whereby Print@KODAK is our exclusive on-line fulfillment service to deliver prints and photoproducts directly to consumers' homes. This service became available to PicturePrepClub members on August 17, 2000. Sales to date of this product have been limited.

The evolution of the noise reduction algorithms results in six products for our company to sell or license to the OEM, the retailer and the consumer:

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1. PicturePrep software product sold via the Internet to consumers.
2. PicturePrep custom software sold bundled with an OEM product such as a scanner, digital camera or computer printer.
3. PicturePrep software in "blister packs" sold via retail stores such as drug stores that sell photo processing.
4. NUWAVE algorithms licensed in software form to OEM of consumer electronics products.
5. NUWAVE algorithms licensed in hardware chip form to OEM of consumer electronics products.
6. NUWAVE algorithms bundled with our ASIC video enhancement chip sales to OEM of consumer electronic products.

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.

Wireless Digital Technology

We have formed a strategic alliance with MemoryLink Corp., for the commercialization of MemoryLink's propriety Wireless Digital Video Technology. MemoryLink, a privately owned Wisconsin company was founded in 1998 with the vision of empowering individuals with wireless, personal broadband technologies that will create a host of new life enhancing applications and leverage the power of the internet. Capitalizing on the FCC's establishment of nonrestrictive spectrum in the 5GHz band, MemoryLink has developed state-of-the-art digital wireless multimedia RF technologies encompassing video, audio and data applications and its intellectual property portfolio positions the company to establish itself as a leader in this field. Products that may evolve from MemoryLink's efforts include portable wireless, flat panel TV's and computers, home and commercial surveillance products, personal hand held products and wide area digital PC video networking products. Initial products emerging from this technology are expected to be available within the next twelve to eighteen months.

Other Potential Products

Our company, both internally and through the use of outside consultants, is conducting investigation and research and development activities 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.

RESEARCH AND DEVELOPMENT

Our Advanced Engineering Group currently operates to support the continuing development of our products and related technology, and the identification of additional sources of new technology. We utilize our Advanced Engineering Group to create products and technology independent of the "Licensed Product" and "Licensed Process" as outlined in the License Agreement. These independently developed products and technology include the NVP, a significant amount of the software included in each of its products and new circuitry to allow certain of the products to be produced as ASICs. The Advanced Engineering Group has also developed proprietary digital software photo and video enhancement technology utilized in our first Internet and retail software product line PicturePrep.

As of December 31, 2000, the Advanced Engineering Group consisted of five of our employees, together with outside consultant organizations who have on their respective staffs engineers, technicians and support personnel (totaling more than 30 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.

From July 17, 1995 to December 31, 2000, we incurred expenses of $7,502,742 on research and development. During fiscal 2000 and 1999, $1,182,833 and $938,745, respectively, was spent on research and development activities. During the year ending December 31, 2001, we estimate that we will spend approximately $600,000 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 product line-up.

MARKETING AND SALES

Utilizing our proprietary technologies, we have recently completed development of three product lines: 1) the NUWAVE Video Processor Technology; 2) Hardware and Retail Products and 3) Digital Software (PicturePrep(TM) Technology). These three product lines are each in their initial stages of full commercialization and are currently being marketed to their respective distribution channels.

NVP ASIC Technology

We intend to have this technology manufactured in the form of ASICs (Application Specific Integrated Circuit) chips through third parties and to directly market and sell or license the NVP to OEMs who, by incorporating this enabling technology, will improve picture quality in their set-top boxes, televisions, VCR's, DVD's, camcorders and other video output devices. The completed NVP 104 plastic (silicon) chip is now available 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. Several of these potential customers have expressed serious interest in this technology. As a result, after signing confidentiality/non-disclosure agreements, these OEM's have received our specially designed evaluation boards using the patented NVP 104 chip. This board enables them to conduct the necessary testing and evaluation of the chip as it applies to their specific product(s). Management believes that these activities will lead to orders being received during beginning in the third quarter of 2001.

Retail Products

We recently completed development of the VGE 101 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.

We are introducing the VGE 101 through select distributors and manufacturer's representatives who sell to nationally known retail chains. We know of no competitive device that is capable of similarly enhancing a video game. In June 2001, the VGE 101 became available in a major US specialty retailer and we entered into a strategic sales and marketing agreement with Partners in Europe, an Irish company, for access to its European sales and distribution network. In July, as a result of this strategic agreement, we received a VGE order from a leading UK distributor of gaming hardware software and accessories. Marketing efforts are being conducted for placement of the VGE 101 in additional retailers for the 2001 Christmas season. Based on the success of the VGE 101, we plan to introduce additional video enhancing retail products for consumers who do not have NVP-enabled products for their TV's but want to improve the picture quality of their home viewing.

We intend to support the above sales efforts through various sales and marketing programs/activities including trade advertising, attendance at industry trade shows, attendance at participating dealer shows, attendance at end-user events, literature mailers and co-op dealer advertising.

PicturePrep(TM) Digital Software Technology

In addition to the NVP technology, during 2000 the Company has completed the initial development of its first proprietary digital photo and video software technology and launched the PicturePrep(TM) 2000 product line. In March 2001, this software was upgraded to PicturePrep(TM) Deluxe 2001 with new file management and uploading capabilities. Also in March 2001, the first Mac version for Apple Computers was released. These products are the first downloadable software products with the ability to enhance both pictures and streaming video from virtually any PC program or while surfing the internet using a PC. In addition to direct on-line consumer sales (B to C sales), we have begun marketing this technology directly to businesses (B to B) in order to expand our OEM customer base.

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We plan to license the digital filtering technology associated with PicturePrep(TM) Deluxe 2001 to OEM's for embedding in products such as PC's, printers, scanners, camcorders and DVD's, among other digital imaging devices. The PicturePrep(TM) Deluxe 2001 software product can also be bundled with the sale of a third party's product. As noted below, the company has also begun the marketing of its software products to retailers for sale in their camera, film and film processing departments. The PicturePrep digital technology not only complements the Company's proprietary analog ASIC chip technology but can also work in conjunction with it to further improve the resulting image quality. Purchasers of PicturePrep(TM) Deluxe 2001 receive a free membership in PicturePrepClub.Com described more fully below.

PicturePrepClub.com, an Internet photo portal, was also launched during 2000 to serve not only as NUWAVE's e-commerce hub for the sale of the PicturePrepSuite line of products but also to provide club members with unlimited gallery space to exhibit photos, as well as an array of products including online print services and gifts such as imprinted T-shirts, mugs, mouse pads, etc. PicturePrepClub.com revenue sources are expected to include membership sales, product sales, on-line print services and advertising. In connection with the PicturePrepClub.com web site, the Company has entered into an agreement with Eastman Kodak Company whereby Print@KODAK is NUWAVE's exclusive on-line fulfillment service to deliver prints and photo products directly to consumers' homes. This service became available to PicturePrepClub members on August 17, 2000. We believe this focused image enhancement product strategy provides our Company with proprietary solutions for sale in both analog and digital formats to meet the continuing evolution and convergence of the PC to television and video markets and the worldwide trend towards digital devices. The Company intends to support the above sales efforts through various sales and marketing programs/activities including trade advertising, attendance at industry trade shows, attendance at participating dealer shows, attendance at end-user events, literature mailers and co-op dealer advertising.

The developmental costs relating to these programs were substantially incurred during 2000. As a result, such expenditures for the first quarter of 2001 decreased by approximately $114,317 compared to the first quarter of 2000. During the three-month period ended March 31, 2001 such costs included $22,874 for professional sales and marketing consultants compared to $32,024 for the three-month period ended March 31, 2000; $31,981 for advertising and public relations compared to $110,665 for the three months ended March 31, 2000; $2,171 for trade shows compared to $7,245 for the three months ended March 31, 2000; and $2,220 for professional printing services compared to $23,629 for the three months ended March 31, 2000. We are continually reviewing our needs with a view to maximizing efficiency while conserving our resources.

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, our VGE 101 and our PicturePrep Deluxe 2001. 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 chip in accordance with a customer's specific application requirements supported by firm commitments rather than producing and storing in inventory ASIC chips in anticipation of applications required by customers in the future.

PATENTS; PROPRIETARY INFORMATION

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

In April 1996, we filed two patent applications on behalf of 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 patent applications for certain of our independently developed products: one for the NUWAVE Video Processor and two for the Softsets. We have received patent grants for the NUWAVE Video processor and the Softsets.

In August 1999, we filed a patent application for our digital software technology as used in PicturePrep product line. In May 2001, we were notified that this application was approved for patent protection. 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 these patents.

We also intend to license and/or sell our technology and products in foreign markets. As such, we intend to seek foreign patent protection. 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, and 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.

We believe 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. In addition, because we are a relatively new company in transaction from the development stage, claims that our products infringe on the proprietary rights of others are more likely to be asserted after commencement of commercial sales of 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.

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

COMPETITION

The markets that we intend to enter are characterized by intense competition, and, particularly with respect to the market for video editing, video production and video processing products, significant price erosion over the life of a product. Our products will directly compete with those of numerous well-established companies, such as Sony Electronics, Inc., Panasonic Division of Matsushita Electric Industrial Co., Motorola, Inc., Mitsubishi International Corp. and Royal Philips Electronics, NV, which design, manufacture and/or market video technology and other products. All of these companies have substantially greater financial, technical, personnel and other resources than the Company 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

At July 16, 2001, we had twelve full-time employees, of whom eight were executives or administrative and five were in the Advanced Engineering Group. Depending on our level of business activity, we expect to hire additional employees in the next twelve 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 June 30, 2001, 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
Gerald Zarin	60	Chairman of the Board of Directors, Chief Executive Officer and President
Jeremiah F. O'Brien	54	Vice President, Secretary and Chief Financial Officer
Robert Webb	65	Vice President - Marketing/Technical Development
Don Legato	57	Vice President - Sales
Edward Bohn	56	Director
Richard E. Ekstract	70	Director
Lyle E. Gramley	74	Director
Joseph A. Sarubbi	72	Director

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

JEREMIAH O'BRIEN has been Vice President and Secretary of the Company since July 1995 and Chief Financial Officer since January 1996. From 1983 to 1989, he served as CFO and Executive Vice President for Cardiac Resuscitator Corporation, a medical electronics manufacturer. From September 1989 through June 1991, he served as Senior Vice President of Finance for Emerson Computer Corporation and Emerson Technologies, Inc. (both of which manufacture and sell electronic components and products). From June 1993 through March 1994, Mr. O'Brien was Corporate Controller for Andin International, a jewelry manufacturing company. During the period of July 1991 through July 1995, he also functioned as an independent consultant in financial matters to various private corporations.

ROBERT WEBB has been the Vice President-Marketing/Technical Development of the Company since September 1995. From June 1995 to September 1995, Mr. Webb acted as an independent consultant to various private corporations. From July 1994 until March 1995, he was Vice President of New Product Development for Studio Magic, Inc., a company involved in the design and manufacture of computer video equipment, and served as a consultant for such company from October 1993 to July 1994 and in April 1995. From October 1973 until October 1993 he was employed by Grass Valley Tektronix, which produces broadcast television equipment. He served as a special advisor to the President of Grass Valley Tektronix from February 1993 to September 1993; he was Division General

Manager-Graphics Systems from November 1990 to February 1993 and held various executive positions prior to that time

DON LEGATO has been the Vice President-Sales of the Company since February 1997. From April 1994 to February 1997, he was the President of Gale Group Ltd., Inc., a management consulting firm. From May 1993 to April 1994, he served as Vice President Sales and Marketing and also as a Director for Applied Safety Inc., (makers of the "World's First" Retrofit Driver's Side Airbag System in the US). From June 1992 to May 1993 he was President of Technology Solutions Distributing Inc., a computer products distribution company. From November 1972 to June 1992, he was President and CEO of T.L.D. Limited, Inc., a manufacturer's representative company representing major electronics and computer consumer products firm such as Sanyo, Sharp, Sony and Apple Computer. He also served on Manufacturer's Advisory Councils for several of these companies.

EDWARD BOHN has been a Director of our company since July 1995. Since December 1999, he has been a Director and Consultant of Nova Corp., which constructs and manages the construction of data centers serving the telecomunications (Internet) industry both domestically and internationally and was appointed Chief Financial Officer on March 1, 2001. Since February 1995, he has been a Director and Consultant of Jennifer Convertibles, a furniture distributor. Since September 1994, he has operated as an independent consultant in financial and operational matters. From January 1983 to March 1994, Mr. Bohn was employed in various capacities by Emerson Radio, including from March 1993 to March 1994, he was Senior Vice President-Special Projects; and from March 1991 to March 1993, he was Chief Financial Officer and Treasurer/Vice President of Finance.

RICHARD E. EKSTRACT has been a Director of our company since September 1999. Since 1959, Mr.Ekstract has created, financed and launched more than twenty periodicals about the consumer electronics industry, including Audio Times, Consumer Electronics Monthly, Consumer Electronics Show Daily, Autosound and Communications, Satellite Retailing, Video Business, Video Review, TWICE, CARS, and License! Mr. Ekstract is also founder and chairman of the Home Office Association of America and the creator of the Audio Hall of Fame and Video Hall of Fame. He is about to launch a new magazine for consultants called Consult!

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

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

COMPENSATION OF EXECUTIVE OFFICERS

The following table sets forth the annual and long-term compensation paid by the Company for services performed on the Company's behalf for the three fiscal years ended December 31, 2000, with respect to those persons who were, as of December 31, 2000, our Chief Executive Officer and our executive officers who received more than $100,000 in compensation for fiscal 2000.

SUMMARY COMPENSATION TABLE

		ANNUAL COMPENSATION			LONG TERM COMPENSATION AWA	
NAME AND PRINCIPAL POSITION	YEAR	SALARY	BONUS	OTHER ANNUAL COMPENSATION	SECURITIES UNDERLYING OPTIONS (NUMBER OF SHARES)	ALL COMPEN
Gerald Zarin, President and	2000	$ 140,000	$ 50,000	0	0	0
Chief Executive Officer	1999	120,000	25,000	0	50,000	0
	1998	120,000	25,000	0	385,000	0
Don Legato,	2000	$ 150,000	$ 7,500	0	0	0
Vice President, Sales	1999	150,000	5,000	0	10,000	0
	1998	150,000	12,500	0	50,000	0
Jeremiah F. O'Brien, Chief	2000	$ 114,000	$ 25,000	0	0	0
Financial Officer, Vice	1999	100,000	10,000	0	20,000	0
President and Secretary	1998	103,800	15,000	0	75,000	0
Robert Webb, Vice President,	2000	$ 119,000	$ 25,000	0	0	0
Marketing/Technical	1999	108,000	10,000	0	20,000	0
Development	1998	108,000	12,500	0	40,000	0

EMPLOYMENT AGREEMENTS

As of April 1, 2000, we entered into a new employment agreement with Gerald Zarin, employing him as our President and Chief Executive Officer through December 31, 2007, with automatic one-year renewals, subject to either party giving notice of termination as of an anniversary date. His employment agreement of July 20, 1995 was then terminated. The annual base compensation is $150,000, with an annual performance bonus equal to (i) 50% of the base compensation if our net profits before taxes are equal to projections approved by the Board of Directors, (ii) 75% of the base compensation if the net profits are equal to 105% of the projections, and (iii) 100% of the base compensation if the net profits are equal to 115% of the projections, and with discretionary bonuses as determined by the Board of Directors. If we terminate the employment agreement at the end of any term or without good cause, or if we materially breach the employment agreement, Mr. Zarin would receive from 150% of his then annual base compensation and average bonus for the prior two calendar years to an amount equal to the balance of the base compensation plus an additional amount related to his base compensation and prior bonuses, dependent upon the reason for the termination and the date of termination. In addition to these termination payments, we would continue to pay the health insurance premiums for Mr. Zarin and his spouse, but not to exceed $15,000 per year, subject to Mr. Zarin being offered similar coverage by a subsequent employer, and automobile expenses for five years, and any unvested options would vest. For a period of eight months, commencing thirty days after a change of control of our company, Mr. Zarin could terminate his employment agreement and receive a lump sum payment equal to three times his highest annual base salary and average annual bonus, continuation of health insurance premiums and automobile as described above, plus accelerated vesting of his options, provided that the payment would be reduced to the largest amount which would not be considered a "parachute payment" under Section 280G of the Internal Revenue Code of 1986. A change of control of our company would include persons becoming the beneficial owners of more than 25% of the outstanding shares of our common stock or a merger in which our stockholders own less than 50% of the surviving corporation, in transactions not approved by the incumbent directors of our Board.

On September 11, 1995, we entered into an employment agreement with Robert Webb, pursuant to which Mr. Webb was appointed Vice President-Marketing. In March 1997, his title was changed to Vice President-Marketing/Technical Development in order to more accurately reflect his duties. The employment agreement continued until March 31, 1996 and thereafter has been continuing for successive 3-month periods. Mr. Webb's base salary for 2001 is $125,000. In

connection with his employment agreement, Mr. Webb received options to purchase 70,000 shares of our common stock at $1.50 per share.

On February 11, 1997, we entered into an employment agreement with Don Legato, pursuant to which Mr. Legato was appointed our Vice President-Sales. The employment agreement continued until March 31, 1996 and thereafter has been continuing for successive 3-month periods. Mr. Legato's base salary for 2001 is $150,000. In connection with his employment agreement, Mr. Legato received options to purchase 60,000 shares of our common stock at $6.875 per share.

In connection with services performed by Mr. O'Brien, on July 17, 1995, he received 5,000 shares of our common stock valued at $.01 per share and has been granted options to purchase 25,000 shares of our common stock at $1.50 per share and 5,000 shares of our common stock at $2.00 per share. Mr. O'Brien's base salary for 2001 is $120,000. Pursuant to a severance agreement, upon certain changes of control of the Company and the termination of Mr. O'Brien's employment, he would receive a payment equal to two times his then base salary.

DIRECTORS' COMPENSATION

Directors who are not employees of the Company are entitled to a fee of $2,500 per year and $500 per meeting attended (other than telephonic meetings) for serving on the Board of Directors. Each director is also reimbursed for expenses incurred in connection with attendance at meetings of the Board of Directors. For the fiscal year ended December 31, 2000, Messrs. Bohn, Gramley and Sarubbi received compensation of $1,500 for attendance at non-telephonic board meetings and $2,500 for attendance at telephone board meetings. Mr. Ekstract received $1,000 for attendance at non-telephone board meetings.

The 1996 Non-Employee Director Stock Option Plan (the "Director Stock Option Plan") provides for the automatic grant to each individual elected, re-elected or continuing as a non-employee director of our company of a stock option for 5,000 shares of our common stock at an option exercise price equal to the fair market value of our common stock on the date of grant. 235,000 shares have been reserved for issuance under the Director Stock Option Plan. At December 31, 2000, options for an aggregate of 217,000 shares of our common stock exercisable at prices ranging from $2.44 to $6.75 per share expiring from November 26, 2001 to January 3, 2010 were outstanding under the Director Stock Option Plan.

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

BOARD AND COMMITTEE MEETINGS

Our Board of Directors held four meetings during the fiscal year ended December 31, 2000. During 2000, no member of the Board of Directors attended fewer than 75% of the aggregate of (i) the total number of meetings of the Board of Directors held during the period for which he has been a director and (ii) the total number of meetings held by all committees on which he served.

The Board of Directors has a standing Audit Committee and a standing Compensation Committee. The Audit Committee met three times and the Compensation Committee met two times during the fiscal year ended December 31, 2000.

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

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

1996 STOCK INCENTIVE PLAN FOR EMPLOYEES AND CONSULTANTS

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

As of June 30, 2001, we have granted options to purchase a total of 1,110,000 shares of our common stock at prices ranging from $0.61 to $6.75 per share under the Employee Stock Incentive Plan.

OPTION GRANTS IN LAST FISCAL YEAR

The number of shares available for grant under our 1996 Stock Incentive Plan for Employees and Consultants is 90,000. Options for an aggregate of 1,155,000 shares have been granted under the Employee Stock Option Plan. During our 2000 fiscal year, options covering an aggregate of 42,500 shares of our common stock were granted under our Employee Stock Option Plan to three persons at exercise prices ranging from $1.00 to $2.12 per share. During the first six months of 2001, options covering an aggregate of 295,000 shares of our common stock were granted under the plan to four persons at exercise prices of $0.61 to $0.89. The foregoing options include performance based options to Mr. Zarin and Mr. O'Brien to purchase 200,000 and 50,000 shares, respectively, of our common stock at an exercise price of $0.79 per share. No portion of these options have yet vested.

OPTION EXERCISES AND YEAR-END OPTION VALUES

No options were exercised in fiscal year 2000 by any of the executive officers listed below. The following table sets forth, as of December 31, 2000, the number of stock options and the value of unexercised in-the-money stock options held by these executive officers.

NAME	NUMBER OF SECURITIES UNDERLYING UNEXERCISED OPTIONS AT DECEMBER 31, 2000		VALUE OF UNEXERCISED IN-THE-MONEY OPTIONS(1) AT DECEMBER 31, 2000	
	EXERCISABLE	UNEXERCISABLE	EXERCISABLE	UNEXERCISABLE
Gerald Zarin	618,334	16,666	$ 0	$ 0
Robert Webb	123,334	6,666	$ 0	$ 0
Don Legato	116,667	3,332	$ 0	$ 0
Jeremiah F. O'Brien	118,334	33,331	$ 0	$ 0
TOTAL	976,669	33,331	$ 0	$ 0

(1) The dollar value of the unexercised options has been calculated by determining the difference between the fair market value of the securities underlying the options and the exercise price of the option at fiscal year-end.

EXECUTIVE COMPENSATION PROGRAM

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

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Since 1996, Mr. Edward Bohn, a director of our company, has been acting as a consultant to us from time to time on matters specified by our President. In March 1997, Mr. Bohn entered into a consulting agreement with us pursuant to which he agreed to act as our consultant at a rate of $1,000 per day with a maximum of $2,750 per week regardless of the actual time spent on our behalf. For the years ended December 31, 2000 and 1999, Mr. Bohn received $2,800 and $22,008, respectively on account of such consulting services.

Since 1996, Mr. Joseph A. Sarubbi, a director of our company, has been acting as a consultant to us from time to time on matters specified by our President. In that connection he has received compensation on a per diem basis of $1,000 per day. For the years ended December 31, 2000 and 1999, Mr. Sarubbi received $3,000 and $2,000, respectively, on account of such consulting services.

On April 30, 2001, we granted Mr. Richard Ekstract, a director of our company, an option to purchase 100,000 shares of our common stock at an exercise price of $0.61 per share, subject to certain performance-based vesting rules, in consideration for certain advisory and referral services to be rendered by him to our company. No portion of this option has yet vested.

On May 11, 1998, we entered into a placement agency agreement with Janssen-Meyers Associates, L.P., now Roan-Meyers Associates, L.P., to act as our placement agent in a private equity placement whereby we issued 2,742,904 shares of our common stock and 2,057,207 Class A Redeemable Warrants between May 19, 1998 and June 9, 1998 for an aggregate purchase price of $7,280,546. For acting as placement agent, Janssen-Meyers received a commission of $728,055, as well as a non-accountable expense allowance of $218,416 and reimbursement of other costs. In addition, Janssen-Meyers received as part of its compensation warrants exercisable until May 11, 2003, to purchase up to (i) 688,084 shares of our common stock at prices per share ranging from $2.50 to $3.06 and (ii) 516,068 Class A Redeemable Warrants to purchase up to 516,068 shares of our common stock at a price per share of $3.24. Bruce Meyers, who purchased 270,270 shares and Peter Janssen, who purchased 154,440 shares of our common stock in the private placement, were principals of Janssen-Meyers at the time of the private placement.

On February 14, 2000, we entered into a placement agency agreement with Janssen-Meyers, to act as our placement agent in a private equity placement whereby we issued 2,088,608 shares of our common stock and 1,044,304 common stock purchase warrants for an aggregate purchase price of $6,600,000. For acting as placement agent, Janssen-Meyers received a commission of $660,000, as well as a non-accountable expense allowance of $198,000 and reimbursement of other costs, including legal expenses relating to the offering. In addition, Janssen-Meyers received as part of its compensation warrants exercisable until March 14, 2005, to purchase up to (i) 522,159 shares of our common stock at a price per share of $3.16 and (ii) 261,080 Class B Warrants to purchase up to 261,080 shares of our common stock at a price per share of $3.95. In addition, Janssen-Meyers has been retained to perform consulting services related to corporate finance and other financial services at a fee of $5,000 a month through May 31, 2001, and since then these services have continued on a month-to-month basis.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The table below is based on information obtained from the persons named therein with respect to the shares of our common stock beneficially owned, as of June 30, 2001 (except as noted below), by (i) each person known by us to be the owner of more than 5% of the outstanding shares of our common stock, (ii) each director of our company, (iii) executive officers of our company, and (iv) all executive officers and directors of our company as a group.

NAME AND ADDRESS OF BENEFICIAL OWNER (1)	AMOUNT AND NATURE OF BENEFICIAL OWNERSHIP (2)	PERCENTAGE OF OUTSTANDING SHARES OWNED
Gerald Zarin	1,088,000(3)	9.72%
Edward Bohn	99,335(4)	.93
Lyle Gramley	63,001(5)	.59

Richard E. Ekstract	55,001(6)	.52
Joseph A. Sarubbi	78,001(7)	.74
Jeremiah F. O'Brien	132,500(8)	1.24
Robert Webb	130,000(9)	1.22
Don Legato	122,500(10)	1.15
Bruce Meyers c/o Roan-Meyers Associates, L.P. 17 State Street New York, NY 10004	980,544(11)	8.50
Helen Burgess 40 E. 30th St., 10th Fl. New York, NY 10016	577,854	5.47
All executive officers and directors as a group (8 persons)	1,645,671(12)	15.01

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(1) Unless otherwise noted, the address of the beneficial owner is: c/o NUWAVE Technologies, Inc., One Passaic Ave., Fairfield, NJ 07004.

(2) The number of shares of Common Stock beneficially owned by each person is determined in accordance with the rules of the SEC, and the information is not necessarily indicative of beneficial ownership for any other purpose. Under such rules, beneficial ownership includes any shares as to which the individual has sole or shared voting power or investment power and also any shares of Common Stock which the individual has the right to acquire within 60 days after the Record Date through the exercise of any stock option, warrant or other right. The inclusion herein of any shares of Common Stock deemed beneficially owned does not constitute an admission of beneficial ownership of those shares. Unless otherwise indicated, the persons named in the table have sole voting and investment power with respect to all shares of Common Stock shown as beneficially owned by them.

(3) Includes 635,000 shares subject to exercisable options.

(4) Includes 94,335 shares subject to exercisable options.

(5) Includes 43,001 shares subject to exercisable options.

(6) Includes 35,001 shares subject to exercisable options.

(7) Includes 43,001 shares subject to exercisable options.

(8) Includes (i) 125,000 shares subject to exercisable options and (ii) 2,500 shares subject to exercisable warrants held by Mr. O'Brien's wife, as to which Mr. O'Brien disclaims beneficial interest.

(9) Includes 130,000 shares subject to exercisable options.

(10) Includes (i) 120,000 shares subject to exercisable options; (ii) 500 shares subject to exercisable Class A Redeemable Warrants, and (iii) 2,000 shares owned by Mr. Legato's wife, as to which Mr. Legato disclaims beneficial interest.

(11) Includes (i) 193,430 shares subject to exercisable Class A Placement Agent Unit Warrants, (ii) 176,226 shares subject to exercisable Class B Placement Agent Unit Warrants, (iii) 10,000 shares subject to other exercisable warrants and (iv) 600,888 shares beneficially owned by Roan-Meyers, as to which Mr. Meyers disclaims beneficial interest. Bruce Meyers is a principal of Roan-Meyers.

(13) See footnotes (3) through (10) above.

DESCRIPTION OF SECURITIES

COMMON STOCK

The holders of our common stock are entitled to one vote for each share held of record on all matters to be voted on by stockholders. There is no cumulative voting with respect to the election of our directors, with the result that the holders of more than 50% of the shares voting for the election of directors can elect all of the directors then up for election. The holders of common stock are entitled to receive ratably such dividends when, as and if declared by the Board of Directors out of funds legally available for that purpose. In the event of liquidation, dissolution or winding up of our company, the holders of our common stock are entitled to share ratably in all assets remaining which are available for distribution to them after payment of liabilities and after provision has been made for each class of stock, if any, having preference over the common stock. Holders our of common stock have no conversion, preemptive or other subscription rights, and there are no redemption provisions applicable to our common stock. All of the outstanding shares of our common stock are validly issued, fully paid and nonassessable. There are currently 40,000,000 shares authorized and 10,557,729 shares issued and outstanding.

PREFERRED STOCK

Of the 2,000,000 shares of Preferred Stock authorized, 1,000,000 shares have been designated as Series A Convertible Preferred Shares. In 1995, we sold 600,000 shares of our Series A Convertible Preferred Shares, which shares were converted into 600,000 shares of our common stock in 1996. The Series A Convertible Preferred Shares are convertible into common stock on a one-to-one basis. The remaining 1,000,000 shares of Preferred Stock not designated may have such preferences and rights as the Board of Directors may designate.

IPO WARRANTS

The following discussion is a summary of certain terms and conditions of the public warrants contained in the warrant agreement by and among our company, American Stock Transfer & Trust Company, as warrant agent, and Rickel & Associates, as underwriters to the initial public offering of our company's securities. The Warrant Agreement was amended as of April 30, 2001. As such, it is qualified in its entirety by reference to the warrant agreement as amended.

Currently, each IPO warrant entitles its registered holder to purchase 1.378 shares of our common stock at a price of $3.99 per share, subject to further adjustment in certain circumstances. Unless exercised, the public warrants will automatically expire on July 3, 2002. The IPO warrants are separately transferable and are listed on the NASDAQ SmallCap Market under the symbol "WAVEW."

The IPO warrants are redeemable by us at any time after July 3, 1997, upon notice of not less than 30 days, at a price of $.10 per IPO warrant, provided that the closing bid quotation of our common stock on all twenty trading days ending on the third day prior to the day on which we give notice has been at least 120% (currently $4.79, subject to certain adjustments) of the then effective exercise price of the IPO warrants. The holders of the IPO warrants have the right to exercise their warrants until the close of business on the date fixed for redemption. The IPO warrants were issued in registered form under a warrant agreement by and among us, American Stock Transfer & Trust Company, as warrant agent, and Rickel & Associates, as underwriters to the initial public offering of our company's securities. The exercise price and number of shares of our common stock or other securities issuable upon exercise of the IPO warrants are subject to adjustment in certain circumstances, including in the event of a stock dividend, recapitalization, reorganization, merger or consolidation of our company. The IPO warrants are subject to adjustment for issuances of our common stock at prices below the exercise price of the IPO warrants.

The IPO warrants may be exercised upon surrender of the warrant certificate on or prior to the expiration date at the offices of the warrant agent, with the exercise form on the reverse side of the warrant certificate completed and executed as indicated, accompanied by full payment of the exercise price, by certified check or bank draft payable to our company, to the warrant agent for the number of public warrants being exercised. The warrant holders do not have the rights or privileges of holders of our common stock.

No fractional shares will be issued upon exercise of the IPO warrants. However, if a warrant holder exercises all IPO warrants then owned of record by him, we will pay that warrant holder, in lieu of the issuance of any fractional share which is otherwise issuable, an amount in cash based on the market value of our common stock on the last trading day prior to the exercise date.

CLASS A REDEEMABLE WARRANTS

The following discussion is a summary of certain terms and provisions of the Class A Redeemable Warrants contained in the Warrant Agreement, dated May 15, 1998, between the Company and American Stock Transfer & Trust Company (the "Warrant Agreement"). As such, it is qualified in its entirety by reference to the Warrant Agreement.

Each Class A Warrant entitles the holder to purchase one share of Common Stock at any time until May 11, 2003 at an exercise price of $3.24 (the "Exercise Price"), subject to adjustment in certain circumstances to prevent dilution. The Class A Warrants may be exercised in whole or in part, at any time and from time to time until May 11, 2003 through a cash or cashless exercise. Unless exercised, the Class A Warrants will automatically expire on May 11, 2003.

Under the Warrant Agreement, the Company agreed to use its best effort to file a registration statement under the Securities Act, registering the Class A Warrants and the shares of Common Stock underlying the Class A Warrants, upon demand, after December 9, 1998, and use its best efforts to have the registration statement declared effective by the Commission as soon as possible thereafter (the "Effective Date"). The Company agrees to keep the registration statement effective until expiration of the Class A Warrants.

The Class A Warrants are subject to redemption by the Company at $.01 per Class A Warrant at any time commencing 12 months after the Effective Date, or earlier with the prior written consent of Roan-Meyers, on not less than 30 days prior written notice to the holders of the Class A Warrants, provided the average closing bid quotation of the Common Stock as reported on the Nasdaq SmallCap Market, if traded thereon, or, if not traded thereon, the average closing bid quotation of the Common Stock if listed on a national securities exchange (or other reporting system that provides last sale prices), has been at least 250% of the then current Exercise Price of the Class A Warrants, for a period of 30 consecutive trading days ending on the day prior to the date on which the Company gives notice of redemption. The Class A Warrants will be exercisable until the close of business on the day immediately preceding the date fixed for redemption.

The Class A Warrants were originally issued between May 19, 1998 and June 9, 1998 in connection with a private equity placement by the Company in which Janssen-Meyers acted as the Company's placement agent. See "Management's Discussion and Analysis or Plan of Operation--Liquidity and Capital Resources."

CLASS B COMMON STOCK PURCHASE WARRANTS

The following discussion is a summary of certain terms and provisions of the Class B Common Stock Purchase Warrants contained in the Warrant Agreement, dated March 10, 2000, between us and American Stock Transfer & Trust Company. As such, it is qualified in its entirety by reference to the Warrant Agreement.

Each Class B Warrant entitles the holder to purchase one share of our common stock at any time until March 14, 2003 at an exercise price of $3.95 (the "Exercise Price"), subject to adjustment in certain circumstances to prevent dilution. The Class B Warrants may be exercised in whole or in part, at any time and from time to time until March 14, 2003 through a cash exercise. Unless exercised, the Class B Warrants will automatically expire on March 14, 2003.

Under the Warrant Agreement, we agreed to use our best effort to file a registration statement under the Securities Act, registering the Class B Warrants and the shares of our common stock underlying the Class B Warrants, upon demand, after 90 days following the closing of the private placement, and use our best efforts to have the registration statement declared effective by the Commission as soon as possible thereafter. We agree to keep the registration statement effective until expiration of the Class B Warrants. This registration statement is being filed at the demand of the warrantholders.

The Class B Warrants are subject to redemption by us at $.01 per Class B Warrant at any time commencing 12 months after the effective date of the registration statement, or earlier with the prior written consent of Roan-Meyers, on not less than 30 days prior written notice to the holders of the Common Stock Purchase Warrants, provided the average closing bid quotation of our common stock as reported on the NASDAQ SmallCap Market, if traded thereon, or, if not traded thereon, the average closing bid quotation of our common stock if listed on a national securities exchange (or other reporting system that provides last sale prices), has been at least 250% of the then current exercise price of the Common Stock Purchase Warrants, for a period of 30 consecutive trading days ending on the day prior to the date on which we give notice of redemption. The Common Stock Purchase Warrants will be exercisable until the close of business on the day immediately preceding the date fixed for redemption.

The Class B Warrants were originally issued as of March 14, 2000 in connection with a private equity placement by the Company in which Roan-Meyers acted as our placement agent. See "Management's Discussion and Analysis or Plan of Operation--Liquidity and Capital Resources."

DIVIDENDS

To date, we have not declared or paid any dividends on our common stock. The payment by us of dividends, if any, is within the discretion of the Board of Directors and will depend on our earnings, if any, our capital requirements and financial condition, as well as other relevant factors. The Board of Directors does not intend to declare any dividends in the foreseeable future, but instead intends to retain earnings for use in our business operations.

TRANSFER AGENT AND WARRANT AGENT

The transfer agent for the common stock is and the warrant agent for the common stock purchase warrants is American Stock Transfer & Trust Company, 40 Wall Street, New York, New York.

PLAN OF DISTRIBUTION

The common stock covered by this prospectus will be issued to the holders of initial public offering warrants, underwriters warrants, Class A Warrants, Class A placement agent unit warrants, Class B Warrants or Class B placement agent unit warrants upon the exercise of their respective warrants in accordance with the terms of the warrants agreements. These holders may in turn sell the shares by one or more of the following means of distribution:

- block trades in which the broker-dealer so engaged will attempt to sell such shares as agent, but may position and resell a portion of the block as principal to facilitate the transaction;

- purchases by a broker-dealer as principal and resale by such broker-dealer for its own account pursuant to this prospectus;

- distributions in accordance with the rules of the Nasdaq SmallCap Market;

- ordinary brokerage transactions and transactions and transactions in which the broker solicits purchasers; and

- privately negotiated transactions.

To the extent required, this prospectus may be amended and supplem