NUWAVE TECHNOLOGIES INC
Form 10QSB
August 22, 2005

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

FORM 10-QSB
(MARK ONE)

[X] QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2005
or
|_| TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ________________ to _________________

Commission file number 0-28606

NUWAVE TECHNOLOGIES, INC.
(Exact Name of Small Business Issuer in Its Charter)

DELAWARE	22-3387630
(State or Other Jurisdiction of Incorporation or Organization)	(IRS Employer Identification No.)

101 Hudson Street, Suite 3701
Jersey City, New Jersey 07302
(Address of Principal Executive Offices)

(201) 309-1880
(Issuer's Telephone Number, Including Area Code)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the past 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes |X| No |_|

The number of shares of Common Stock outstanding as of August 19, 2005: 2,770,723

NUWAVE TECHNOLOGIES, INC. AND SUBSIDIARIES
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PART I - FINANCIAL INFORMATION

PART 1
FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

NUWAVE TECHNOLOGIES, INC. AND SUBSIDIARIES

Condensed Consolidated Balance Sheets
(In thousands, except share and per share data)

ASSETS

	June 30, 2005	December 31, 2004
	(unaudited)	
Current assets:		
Cash and cash equivalents	$ 9	$ 84
Marketable securities - available-for-sale	85	256

Inventory	--	1
Other current assets	23	30
Deferred tax asset	--	50
Total current assets	117	421
Property and equipment, net	17	21
Land held for development and sale	2,884	2,761
Total assets	$ 3,018	$ 3,203

LIABILITIES AND STOCKHOLDERS' DEFICIENCY

Current liabilities:		
Accounts payable, accrued liabilities and accrued interest	$ 166	$ 122
Current portion of convertible debentures, net of unamortized discount of $25 and $50	355	335
Current portion of convertible debentures - related party	250	--
Current portion of note payable - related party	176	--
Total current liabilities	947	457
Non-current liabilities:		
Note payable - related party	3,481	--
Note payable - related party, net of current portion	1,224	1,400
Convertible debentures - related party, net of unamortized discounts of $0 and $694, respectively	--	2,607
Convertible debentures, net of unamortized discounts of $16 and $37, respectively	84	163
Accrued interest - non-current	183	247
Total non-current liabilities	4,972	4,417
Total liabilities	5,919	4,874
Stockholders' deficiency:		
Series A Convertible Preferred Stock, noncumulative, $.01 par value; authorized 400,000 shares; none issued	--	--
Preferred stock, $.01 par value; authorized 1,600,000 shares; none issued - (preferences and rights to be designated by the Board of Directors)	--	--
Common stock, $.001 par value; authorized 140,000,000 shares; 2,770,723 and 2,062,013 shares issued and outstanding at June 30, 2005 and December 31, 2004, respectively	3	2
Additional paid-in capital	25,918	26,461
Accumulated other comprehensive income (loss)	(45)	125

Accumulated deficit	(28,777)	(28,259)
Total stockholders' deficiency	(2,901)	(1,671)
Total liabilties and stockholders' deficiency	$ 3,018	$ 3,203

See accompanying notes to these condensed consolidated financial statements.

NUWAVE TECHNOLOGIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
AND COMPREHENSIVE LOSS
(In thousands, except share and per share data)

	Three Months Ended June 30,		Six Months Ended J	
	2005	2004	2005	2
	(unaudited)	(unaudited)	(unaudited)	(una
Net sales	$ --	$ --	$ --	$
Cost of sales	--	--	--	
Gross profit	--	--	--	
Operating expenses:				
General and administrative	170	166	399	
Research and development	--	--	--	
Total operating expenses	170	166	399	
Loss from operations	(170)	(166)	(399)	
Other expense:				
Interest expense	(65)	(99)	(119)	
Net loss	$ (235)	$ (265)	$ (518)	$
Weighted average number of common shares outstanding	2,524,080	1,944,583	2,294,323	1,
Basic and diluted net loss per common share	$ (0.09)	$ (0.14)	$ (0.23)	$
Comprehensive loss:				
Net loss	$ (235)	$ (265)	$ (518)	$
Other comprehensive loss net of income taxes:				
Unrealized loss on marketable securities	(85)	--	(170)	

Comprehensive loss	$ (320)	$ (265)	$ (688)	$

See accompanying notes to these condensed consolidated financial statements.

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NUWAVE TECHNOLOGIES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands except share data)

	Six Months Ended June 30,	
	2005	2004
	(unaudited)	(unaudited)
Cash flows from operating activities:		
Net loss	$ (518)	$ (467)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	4	2
Amortization of debt discount	45	70
Issuance of stock for services	--	18
(Increase) decrease in operating assets:		
Inventory	1	--
Other current assets	7	--
Other assets	--	--
Deferred tax asset	50	225
Increase (decrease) in operating liabilities:		
Accounts payable, accrued liabilities and accrued interest	99	2
Total adjustments	206	317
Net cash used in operating activities	(312)	(150)
Cash flows from investing activities:		
Purchase of property and equipment	--	(15)
Land acquisition and land development costs	(35)	(137)
Net cash used in investing activities	(35)	(152)

(continued)

See accompanying notes to these condensed consolidated financial statements.

NUWAVE TECHNOLOGIES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS, CONTINUED
(In thousands except share data)

	Six Months Ended June 30, 2005	Six Months Ended June 30, 2004
Cash flows from financing activities:		
Sale of common stock pursuant to Standby Equity Distribution Agreement	22	--
Proceeds from issuance of convertible debenture	250	360
Net cash provided by financing activities	272	360
Net increase (decrease) in cash and cash equivalents	(75)	58
Cash and cash equivalents - beginning of the period	84	119
Cash and cash equivalents - end of the period	$ 9	$ 177
Supplemental disclosure of cash flow information:		
Interest paid during the period	$ --	$ --
Supplemental disclosures of non-cash investing and financing activities:		
Recording of debt discount	$ --	$ 110
Recording of interest payable and amortization of debt discount that is capitalized as an addition to the cost of the land held for development and sale	$ 88	$ 141
Reacquisition of beneficial conversion feature upon early extinquishment of debt	$ (678)	$ --
Refinancing of the convertible debenture - related party, as follows:		
Convertible debenture - related party	$ (3,300)	$ --
Accrued interest	(182)	--
Promissory note - related party	$ 3,482	$ --
Issuance of common stock upon conversion of convertible debentures and accrued interest	$ 114	$ --

See accompanying notes to these condensed consolidated financial statements.

NUWAVE TECHNOLOGIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF INTERIM FINANCIAL STATEMENT PREPARATION

The accompanying unaudited condensed consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America for interim information. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. The results of operations for the interim periods shown in this report are not necessarily indicative of expected results for any future interim period or for the entire fiscal year. NuWave Technologies, Inc. (the "Company" or "NuWave"), believes that the quarterly information presented includes all adjustments (consisting only of normal, recurring adjustments) necessary for a fair presentation in accordance with accounting principles generally accepted in the United States of America. The accompanying condensed consolidated financial statements should be read in conjunction with the Company's Annual Report on Form 10-KSB as filed with the Securities and Exchange Commission ("SEC") on April 13, 2005.

2. GOING CONCERN AND MANAGEMENT'S PLANS

The Company's sales have declined from approximately $20,000 to $0 and $0 for each of the years 2003 and 2004 and the six month period ended June 30, 2005, respectively, as the Company has had difficulty securing buyers for its technology products in a very competitive environment and there have yet to be revenues realized from the sale of developed real estate properties. The Company has incurred net losses of approximately $790,000, $336,000, $235,000 and $518,000 for the years 2003, 2004 and for the three and six months ended June 30, 2005, respectively, resulting in a stockholders deficiency of approximately $2,901,000 at June 30, 2005, which raises substantial doubt about the Company's ability to continue as a going concern.

Management has taken a number of actions to lower costs and to improve the Company's liquidity. The Company has reduced its cash flow requirements through its control and management of general operating expenses.

Management's plans include the raising of cash through the issuance of debt or equity although there are no assurances that the Company will be successful. The Company continues to require funding by and the financial support of Cornell Capital Partners, LP ("Cornell"). In January 2005, the Company entered into a Standby Equity Distribution Agreement ("SEDA") with Cornell, and during April 2005, the Company raised net cash of $22,000 through the SEDA facility (See Note 8).

Managements' plans also include possibly selling the company (See Note 11).

On February 4, 2005, the Company filed a Form SB-2 Registration Statement, with an amendment filed on February 14, 2005, with the SEC, to register 130,690,033 shares of its common stock, including 120,122,191 shares of common stock to be issued to Cornell pursuant to the SEDA. On February 14, 2005, the Securities and Exchange Commission declared the registration statement effective.

2. GOING CONCERN AND MANAGEMENT'S PLANS - CONTINUED

During May 2005, the Company issued a convertible debenture in the face amount of $250,000 to Cornell (see Note 6).

Management does not intend to expend any additional funds toward the development of the land held for development and sale until such time as new funding is secured.

The accompanying condensed consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business. These condensed consolidated financial statements do not include any adjustments relating to the recovery of the recorded assets or the classification of the liabilities that might be necessary should the Company be unable to continue as a going concern. Accordingly, there is substantial doubt about the Company's ability to continue as a going concern. There can be no assurance that the Company will be successful in these endeavors and therefore may have to consider other alternatives.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION

The condensed consolidated financial statements include the accounts of NuWave and its wholly-owned subsidiaries Lehigh Acquisition Corp. ("Lehigh"), WH Acquisition Corp, Harwood Acquisition Corp and JK Acquisition Corp (collectively, the "Company"). All significant intercompany accounts and transactions have been eliminated in consolidation.

REVENUE RECOGNITION

In regard to the technology operations, income is recorded when orders are shipped and the Company has no further involvement with the product. In regard to real estate operations, income from sales of real estate is recorded when title is conveyed to the buyer, adequate cash payment has been received and there is no continued involvement.

STOCK-BASED COMPENSATION

For the six months ended June 30, 2005 and 2004, there was no stock based employee compensation expense as determined under the fair value based method. Accordingly, for these periods, there are no differences between basic and diluted net loss per share as reported and pro forma net loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

EARNINGS (LOSS) PER COMMON SHARE

The Company follows Statement of Financial Accounting Standards ("SFAS") No. 128, "Earnings Per Share", which provides for the calculation of "basic" and "diluted" earnings (loss) per share. Basic earnings (loss) per share includes no dilution and is computed by dividing earnings (loss) available to common stockholders by the weighted-average number of common shares outstanding for the period. Diluted earnings per share reflects the potential dilution that could occur through the effect of common shares issuable upon the exercise of stock options and warrants and convertible securities. For the periods ended June 30, 2005 and 2004, potential common shares amount to 14,029,855 and 62,304,891 shares, respectively. For the three and six months ended June 30, 2005 and 2004, such potential common shares have not been included in the computation of diluted loss per share since the effect would be antidilutive.

MARKETABLE SECURITIES

The Company evaluates its investment policies and the appropriate classification of securities at the time of purchase consistent with Statement of Financial Accounting Standards ("SFAS") No. 115, "Accounting for Certain Investments in Debt and Equity Securities," at each balance sheet date and determined that all of its investment securities are to be classified as available-for-sale. Available-for-sale securities are carried at fair value, with the unrealized gains and losses reported in Stockholders' Deficiency under the caption "Accumulated Other Comprehensive Gain (Loss)." Realized gains and losses and declines in value judged to be other-than-temporary on available-for-sale securities are included in general and administrative expenses. The cost of securities sold is based on the specific identification method. Interest and dividends on securities classified as available-for-sale are included in interest and dividend income.

INTEREST CAPITALIZATION

The Company follows SFAS No. 34, "Capitalization of Interest Costs", which provides for the capitalization of interest as part of the historical cost of acquiring certain assets. Interest is capitalized on assets that require a period of time to get them ready for their intended use, such as real estate development projects. Interest is capitalized from the period activities begin, such as planning and permitting, until such time as the project is complete. Interest costs include interest recognized on obligations having explicit rates, as well as the amortization of discounts that result from imputing interest on convertible debentures over the life of the obligation. Interest is capitalized on only the net book value of the land and improvements, net of the discount recorded on the acquisition of the land. Interest on specific borrowings associated with the land, that are in excess of its net book value are expensed as incurred.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

RECENT ACCOUNTING PRONOUNCEMENTS

In May, 2005 the FASB issued Statement No. 154, "Accounting Changes and Error Corrections - a replacement of APB No. 20, Accounting Changes, and FASB Statement No. 3, Reporting Accounting Changes In Interim Financial Statements ("FAS No. 154"). Under FAS No. 154, changes in accounting principles will generally be made by the retrospective application of the new accounting principle to the financial statements of prior periods unless it is impractical to determine the effect of the change on prior periods. The reporting of a change in accounting principles as a cumulative adjustment to net income in the period of the change permitted under APB No. 20 will no longer be permitted unless it is impractical to determine the effect of the change on prior periods. Corrections of errors in the application of accounting principles will continue to be reported by retroactively restating the affected financial statements. The provisions of FAS No. 154 will not apply to new accounting standards that contain specific transition provisions. FAS No. 154 is applicable to accounting changes made in fiscal years beginning on or after December 15, 2005. The early application of FAS No. 154 is permitted for accounting changes made in fiscal years that began after the issuance of FAS No. 154. The Company does not expect that SFAS No. 154 will have a material affect on its consolidated financial statements.

4. LAND HELD FOR DEVELOPMENT AND SALE

During April 2004, WH Acquisition Corp. purchased real estate property consisting of land and a residential building in Jersey City, New Jersey for a total purchase price of $122,000. This property is currently being offered for sale by the Company. On December 22, 2003, Lehigh acquired a parcel of land in New Jersey that it intends to either develop or sell prior to development. During the three month periods ended June 30, 2005 and 2004, the Company capitalized approximately $40,000 and $68,000 of interest relating to the financing costs incurred for the portion of the Lehigh land that was capitalized in December 2003 and $25,000 and $0 in professional fees, respectively. During the six month periods ended June 30, 2005 and 2004, the Company capitalized approximately $88,000 and $141,000 of interest relating to the financing costs incurred for the portion of the Lehigh land that was capitalized in December 2003 and $35,000 and $15,000 in professional fees, respectively.

5. NOTE PAYABLE - RELATED PARTY

During January 2005, the Company's wholly-owned subsidiary, Lehigh, entered into an Assignment and Amendment Agreement (the "Assignment Agreement") related to that certain $1,400,000 Note Payable issued by Lehigh on December 22, 2003 to Stone Street Asset Management, LLC ("Stone Street"), a related party. Pursuant to the Assignment Agreement, Stone Street assigned its rights under the note to Cornell. In addition, Stone Street, Cornell and Lehigh agreed to defer the begining of the monthly payments due under the note of $35,546 per month for the period of one year, from January 1, 2005 to January 1, 2006.

6. CONVERTIBLE DEBENTURES

During January 2005, the Company and Cornell terminated a $3,300,000 convertible debenture issued to Cornell, a related party, by the Company on December 22, 2003. Upon the termination of the convertible debenture, the Company issued a $3,481,274 promissory note (the "Promissory Note") to Cornell, representing the sum of the unpaid balance of $3,300,000 and accrued interest of $181,274 through the date of the termination. The Promissory Note bears interest at a rate of five percent (5%) per annum, with interest due at maturity. The Promissory Note matures on December 22, 2008 and is collateralized by the Company's investment in its land held for development and sale located in Cranford, New Jersey. In order to record the reacquisition of the beneficial conversion feature related to the extinguishment of the convertible debenture, the Company recorded a net charge of $678,000 to additional paid in capital.

ISSUANCE OF CONVERTIBLE DEBENTURE

During May 2005, NuWave issued a $250,000 convertible debenture to Cornell, a related party. This debenture bears interest at a rate of twelve percent (12%) per annum, with interest due at maturity or upon conversion. This debenture matures in December 2006. At the option of the holder, at any time prior to maturity, any portion of this convertible debenture may be converted into Common Stock. The value of principal and accrued interest is convertible at $0.10 per share. At the option of the Company at any time, or upon maturity for any amounts not converted, the Company may redeem this convertible debenture and upon such, shall pay a twenty percent (20%) redemption premium to Cornell. NuWave paid fees of $25,000 and $5,000 to Cornell and an affiliate of Cornell, respectively, in connection with this transaction.

7. OTHER NON-CURRENT LIABILITIES

The Company accrues interest payable on all of its debt obligations. For the convertible debentures, the interest is payable at maturity or redemption, if earlier, and such interest may be converted into the Company's common stock upon the conversion of the convertible debentures. For the $3,482,000 note payable, the interest is payable at maturity or redemption, if earlier. Accrued interest of approximately $28,000 on convertible debentures due before June 30, 2006 are classified as current, with the accrued interest on the remaining obligations, of approximately $77,000, classified as non-current on the condensed consolidated balance sheet at June 30, 2005.

Under the terms of the amended $1,400,000 note payable, the Company accrues interest from the date of issue, December 22, 2003, through December 31, 2005. Pursuant to the terms of the amended note, the interest that accrues through June 30, 2005 will be capitalized to the balance of the note and then will be repaid in forty eight (48) equal installments of $35,546 per month, including interest at five percent (5%) per annum, which will fully repay the outstanding obligations under the note by January 2010. Accrued interest of approximately $106,000 is classified as non-current on the condensed consolidated balance sheet at June 30, 2005.

8. STANDBY EQUITY DISTRIBUTION AGREEMENT

In May 2004, NuWave entered into a Standby Equity Distribution Agreement (the "2004 Agreement") with Cornell which was terminated in January 2005. The Company entered into a new SEDA with Cornell on January 26, 2005 with substantially the same terms as the 2004 Agreement. Pursuant to the new SEDA, the Company may, at its discretion, periodically sell to Cornell registered shares of the Company's common stock for a total purchase price of up to $30 million. For each share of common stock purchased under the SEDA, Cornell will pay NuWave ninety nine percent (99%) of the volume weighted average price on the Over-the-Counter Bulletin Board or other principal market on which its common stock is traded for the five (5) days immediately following the notice date. Further, Cornell will retain an underwriting fee of ten percent (10%) of each advance under the SEDA. Pursuant to the terms of the new SEDA, the Company is restricted from raising capital from the sale of securities at a price less than the market price of the Company's common stock on the date of issuance or granting additional security interests in the Company's assets.

The amount of each advance is limited to a maximum draw down of $1,000,000 every seven (7) trading days up to a maximum of $4,000,000 in any 30-day period. The amount available under the new SEDA is not dependent on the price or volume of the Company's common stock. The Company's ability to request advances is conditioned upon the Company having enough shares of common stock registered pursuant to the SEC rules and regulations. In addition, the Company may not request advances if the shares to be issued in connection with such advances would result in Cornell owning more than 9.9% of the Company's outstanding common stock. During April 2005, the Company issued 600,000 shares of common stock to Cornell under the new SEDA in exchange for gross proceeds of $25,000. NuWave paid fees of $2,500 and $500 to Cornell and an affiliate of Cornell, respectively. Approximately 133,000 shares remain with Cornell for assignment under future SEDA fundings.

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NUWAVE TECHNOLOGIES, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

9. SEGMENT DATA

Commencing with the acquisition of land in December 2003, the Company operates in two industry segments - video and image technology and real estate development and sale. The Company evaluates segment performance based on loss from operations.

Summarized financial information for the three and six months ended June 30, 2005 and 2004 concerning the Company's reportable segments is shown in the following table:

	THREE MONTHS ENDED JUNE 30, 2005 (IN THOUSANDS)		
	VIDEO & IMAGE TECHNOLOGY	REAL ESTATE DEVELOPMENT AND SALE	TOTAL
Net sales from customers	$ --	$ --	$ --
Loss from operations	$ (7)	$ (163)	$ (170)
Interest expense	$ 35	$ 30	$ 65
Total identifiable assets	$ 4	$ 3,014	$ 3,018
Capital expenditures, including capitalized interest	$ --	$ 64	$ 64

	SIX MONTHS ENDED JUNE 30, 2005 (IN THOUSANDS)		
	VIDEO & IMAGE TECHNOLOGY	REAL ESTATE DEVELOPMENT AND SALE	TOTAL
Net sales from customers	$ --	$ --	$ --

Loss from operations	$ (28)	$ (371)	$ (399)
Interest expense	$ 69	$ 50	$ 119
Total identifiable assets	$ 4	$ 3,014	$ 3,018
Capital expenditures, including capitalized interest	$ --	$ 124	$ 124

NUWAVE TECHNOLOGIES, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

9. SEGMENT DATA - CONTINUED

	THREE MONTHS ENDED JUNE 30, 2004 (IN THOUSANDS)		
	VIDEO & IMAGE TECHNOLOGY	REAL ESTATE DEVELOPMENT AND SALE	TOTAL
Net sales from customers	$ --	$ --	$ --
Loss from operations	$ (76)	$ (90)	$ (166)
Interest expense	$ 42	$ 57	$ 99
Total identifiable assets	$ 5	$ 3,438	$ 3,443
Capital expenditures, including capitalized interest	$ --	$ 198	$ 198

	SIX MONTHS ENDED JUNE 30, 2004 (IN THOUSANDS)		
	VIDEO & IMAGE TECHNOLOGY	REAL ESTATE DEVELOPMENT AND SALE	TOTAL
Net sales from customers	$ --	$ --	$ --
Loss from operations	$ (145)	$ (147)	$ (292)
Interest expense	$ 76	$ 99	$ 175
Total identifiable assets	$ --	$ 3,443	$ 3,443
Capital expenditures, including capitalized interest	$ --	$ 293	$ 293

NUWAVE TECHNOLOGIES, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

10. LEASE COMMITMENTS

In May 2004, the Company entered into a five-year sublease agreement for the rental of 3,580 square feet of corporate office tower space in Jersey City, New Jersey. This rental agreement is effective as of July 1, 2004 and requires the Company to pay rent of approximately $7,000 and approximately $3,000 in shared building operating expenses, monthly. Through February 2005, the Company subleased one half of this space to a subtenant for approximately $5,000 per month. The Company's obligations under this lease are guaranteed by Yorkville Advisors Management, LLC ("Yorkville"). Yorkville is related to Cornell and is a related party to the Company.

The approximate future minimum lease payments under the Company's non-cancelable operating lease in effect at June 30, 2005, are as follows:

Period:		Minimum Lease Payments Under Operating Lease
Six months ended December 31,	2005	39,000
Year ended December 31,	2006	78,000
Year ended December 31,	2007	78,000
Year ended December 31,	2008	78,000
Six-months ended June 30,	2009	40,000
	Total	$ 313,000

NUWAVE TECHNOLOGIES, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

11. PROPOSED MERGER TRANSACTION

NuWave entered into a non-binding letter of intent with Corporate Strategies, Inc. ("Corporate Strategies") during June 2005, pursuant to which NuWave would acquire Corporate Strategies in a triangular merger. Under the agreement, Corporate Strategies would be merged into a newly formed subsidiary of NuWave and all of the shareholders of Corporate Strategies would exchange their shares in Corporate Strategies for restricted shares of NuWave.

Pursuant to the letter of intent agreement, each Class A Common Stockholder of Corporate Strategies would receive one share of the Company's common stock, for three shares of Class A common stock of Corporate Strategies and the Company will issue and deliver a number of shares of convertible preferred stock of the Company to the Class B Common Stock holders of Corporate Strategies, which will effectively convert into 91% of the issued and outstanding common stock of the Company. As a result of the merger, the shareholders of Corporate Strategies will control NuWave.

The Company has yet to reach a definitive agreement with Corporate Strategies and negotiations are ongoing.

12. SUBSEQUENT EVENTS

CONVERTIBLE DEBENTURE

During July 2005, NuWave issued a $150,000 convertible debenture to Cornell, a related party. This debenture bears interest at a rate of twelve percent (12%) per annum, with interest due at maturity or upon conversion. This debenture matures in February 2006. At the option of the holder, at any time prior to maturity, any portion of this convertible debenture may be converted into Common Stock. The value of principal and accrued interest is convertible at $0.10 per share. At the option of the Company at any time, or upon maturity for any amounts not converted, the Company may redeem this convertible debenture and upon such, shall pay a twenty percent (20%) redemption premium to Cornell. NuWave paid fees of $15,000 and $5,000 to Cornell and an affiliate of Cornell, respectively, in connection with this transaction.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

FORWARD-LOOKING STATEMENTS

This Report on Form 10-QSB contains "forward-looking statements" within the meaning of Section 27A of the Securities Act and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). All statements other than statements of historical facts included in this Report, including without limitation, the statements under "Results of Operations," "Plan of Operation" and "Liquidity and Capital Resources" are forward-looking statements. The Company cautions that forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those indicated in the forward-looking statements, due to several important factors herein identified. Important factors that could cause actual results to differ materially from those indicated in the forward-looking statements ("Cautionary Statements") include delays in product and real estate development, competitive products and pricing, general economic conditions, interest rate risks, risks of intellectual property litigation, product demand and industry capacity, new product development, commercialization of new technologies, the Company's ability to raise additional capital, the Company's ability to obtain the various approvals and permits for the land development and the risk factors detailed from time to time in the Company's periodic reports and other materials filed with the Securities and Exchange Commission ("SEC").

All subsequent written and oral forward-looking statements attributable to the Company or persons acting on its behalf are expressly qualified in their entirety by the Cautionary Statements.

GOING CONCERN

The Company's sales have declined from approximately $20,000 to $0 and $0 for each of the years 2003 and 2004 and the six month period ended June 30, 2005, respectively, as the Company has had difficulty securing buyers for its technology products in a very competitive environment and there have yet to be revenues realized from the sale of developed real estate properties. The Company has incurred net losses of approximately $790,000, $336,000 and $518,000 for the years 2003 and 2004 and for the six months ended June 30, 2005, respectively, resulting in a stockholders deficiency of approximately $2,901,000 at June 30, 2005, which raises substantial doubt about the Company's ability to continue as a going concern. Our financial statements have been prepared on a going concern basis, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business. Our condensed consolidated financial statements do not include any adjustments relating to the recovery of the recorded assets or the classification of the liabilities that might be necessary should the Company be unable to continue as a going concern.

PROPOSED MERGER AGREEMENT

NuWave entered into a non-binding letter of intent with Corporate Strategies, Inc. ("Corporate Strategies") during June 2005, pursuant to which NuWave would acquire Corporate Strategies in a triangular merger. Under the agreement, Corporate Strategies would be merged into a newly formed subsidiary of NuWave and all of the shareholders of Corporate Strategies would exchange their shares in Corporate Strategies for restricted shares of NuWave.

Pursuant to the letter of intent agreement, each Class A Common Stockholder of Corporate Strategies would receive one share of the Company's common stock, for three shares of Class A common stock of Corporate Strategies and the Company will issue and deliver a number of shares of convertible preferred stock of the Company to the Class B Common Stock holders of Corporate Strategies, which will effectively convert into 91% of the issued and outstanding common stock of the Company. As a result of the merger, the shareholders of Corporate Strategies will control NuWave.

The Company has yet to reach a definitive agreement with Corporate Strategies and negotiations are ongoing.

CRITICAL ACCOUNTING POLICIES

NuWave's condensed consolidated financial statements and related public financial information are based on the application of accounting principles generally accepted in the United States ("GAAP"). GAAP requires the use of estimates, assumptions, judgments and subjective interpretations of accounting principles that have an impact on the assets, liabilities, revenue and expense amounts reported. These estimates can also affect supplemental information contained in our external disclosures including information regarding contingencies, risk and financial condition. We believe our use of estimates and underlying accounting assumptions adhere to GAAP and are consistently and conservatively applied. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. Actual results may differ materially from these estimates under different assumptions or conditions. We continue to monitor significant estimates made during the preparation of our condensed consolidated financial statements.

Certain of our significant accounting policies are summarized in Note 3 of our condensed consolidated financial statements at June 30, 2005. While all these significant accounting policies impact our financial condition and results of operations, NuWave views certain of these policies as critical. Policies determined to be critical are those policies that have the most significant impact on NuWave's condensed consolidated financial statements and require management to use a greater degree of judgment and estimates. Actual results may differ from those estimates. Our management believes that given current facts and circumstances, it is unlikely that applying any other reasonable judgments or estimate methodologies would cause a material effect on our condensed consolidated results of operations, financial position or liquidity for the periods presented in this report.

EFFECTS OF NEW ACCOUNTING PRONOUNCEMENTS

In May, 2005 the FASB issued Statement No. 154, "Accounting Changes and Error Corrections - a replacement of APB No. 20, Accounting Changes, and FASB Statement No. 3, Reporting Accounting Changes In Interim Financial Statements ("FAS No. 154"). Under FAS No. 154, changes in accounting principles will generally be made by the retrospective application of the new accounting principle to the financial statements of prior periods unless it is impractical to determine the effect of the change on prior periods. The reporting of a change in accounting principles as a cumulative adjustment to net income in the period of the change permitted under APB No. 20 will no longer be permitted unless it is impractical to determine the effect of the change on prior periods. Corrections of errors in the application of accounting principles will continue to be reported by retroactively restating the affected financial statements. The provisions of FAS No. 154 will not apply to new accounting standards that contain specific transition provisions. FAS No. 154 is applicable to accounting changes made in fiscal years beginning on or after December 15, 2005. The early application of FAS No. 154 is permitted for accounting changes made in fiscal years that began after the issuance of FAS No. 154. The Company does not expect that SFAS No. 154 will have a material affect on its consolidated financial statements.

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OVERALL FINANCIAL PERFORMANCE

Three Months Ended June 30, 2005 Compared to Three Months Ended June 30, 2004

For the three months ended June 30, 2005, the Company reported a net loss of $235,000 as compared to a net loss of $265,000 for the three months ended June 30, 2004. This represented a $30,000 decrease in the Company's net loss.

General and administrative expenses for the Company for the three months ended June 30, 2005 were $170,000, as compared to $166,000 for the three months ended June 30, 2004, an increase of $4,000 or 2%. During the three months ended June 30, 2005, there were decreases in compensation of approximately $20,000 offset by a charge of approximately $17,000 to establish a reserve against the collectability of an amount receivable. Rent expense increased by approximately $30,000 as the Company lost the rental income offset from the co-tenant in its office tower space. The Company allocated approximately $7,000 of these general and administrative expenses to the Video and Image Technology segment and approximately $163,000 to the Real Estate segment, for the three months ended June 30, 2005.

Six Months Ended June 30, 2005 Compared to Six Months Ended June 30, 2004

For the six months ended June 30, 2005, the Company reported a net loss of $518,000 as compared to a net loss of $467,000 for the six months ended June 30, 2004. This represented a $51,000 increase in the Company's net loss.

General and administrative expenses for the Company for the six months ended June 30, 2005 were $399,000, as compared to $292,000 for the six months ended June 30, 2004, an increase of $107,000 or 37%. This increase was primarily the result of increases in professional fees incurred in order to prepare the

Company's financial reports and to support the Company's capital raising initiatives. During the six months ended June 30, 2005, there were increases in accounting fees of $83,000 and legal fees of $31,000, offset by decreases in other consulting fees of approximately $41,000. There were increases in rent of $43,000. primarily due to the Company's rental of office tower space in Jersey City. The Company allocated approximately $28,000 of these general and administrative expenses to the Video and Image Technology segment and approximately $371,000 to the Real Estate segment, for the six months ended June 30, 2005.

THE COMPANY WILL DISCUSS ITS TECHNOLOGY BUSINESS UNDER RESULTS OF OPERATIONS - VIDEO AND IMAGE TECHNOLOGY BUSINESS OPERATIONS AND WILL DISCUSS ITS REAL ESTATE DEVELOPMENT BUSINESS UNDER RESULTS OF OPERATIONS - REAL ESTATE OPERATIONS AND PLAN OF OPERATION - REAL ESTATE ACTIVITIES.

RESULTS OF OPERATIONS - VIDEO AND IMAGE TECHNOLOGY BUSINESS OPERATIONS

Three Months Ended June 30, 2005 Compared to Three Months Ended June 30, 2004

The Company recorded a net loss on the video and image technology segment of approximately $42,000 and $118,000 for the three month periods ended June 30, 2005 and 2004, respectively.

The Company has had difficulty selling its video and image technology products. The market for the Company's technology products has been adversely affected by strong competition and price compression in the imaging and video electronics markets. On account of these difficulties, the Company has reduced the level of activity in this segment to a maintenance level There were no revenues for the three month period ended June 30, 2005 and 2004.

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General and administrative expenses for the technology business for the three months ended June 30, 2005 were $7,000, as compared to $76,000 for the three months ended June 30, 2004, a decrease of $69,000 or 91%. This decrease was the result of a lower percentage allocation of general and administrative expenses to the technology activities. Interest expense for non real estate operations for the three months ended June 30, 2005 were $35,000, as compared to $42,000 for the three months ended June 30, 2005.

Six Months Ended June 30, 2005 Compared to Six Months Ended June 30, 2004

The Company recorded a net loss on the video and image technology segment of approximately $97,000 and $221,000 for the six month periods ended June 30, 2005 and 2004, respectively.

The Company has had difficulty selling its video and image technology products. The market for the Company's technology products has been adversely affected by strong competition and price compression in the imaging and video electronics markets. On account of these difficulties, the Company has reduced the level of activity in this segment to a maintenance level. There were no revenues for the six month periods ending June 30, 2005 and 2004, respectively.

General and administrative expenses for the technology business for the six months ended June 30, 2005 were $28,000, as compared to $145,000 for the six months ended June 30, 2004, a decrease of $117,000 or 81%. This decrease was the result of a lower percentage allocation of general and administrative expenses to the technology activities. Interest expense for non real estate operations for the six months ended June 30, 2005 were $69,000, as compared to $76,000 for the six months ended June 30, 2004.

RESULTS OF OPERATIONS - REAL ESTATE OPERATIONS

Three Months Ended June 30, 2005 Compared to Three Months Ended June 30, 2004

The Company recorded a net loss on the real estate segment of approximately $193,000 and $147,000 for the three month periods ended June 30, 2005 and 2004.

During the three months ended June 30, 2005, our real estate activities incurred general and administrative expenses of approximately $163,000, which consisted principally of real estate taxes and maintenance expenses of approximately $31,000 and an allocation of other general and administrative expenses of approximately $132,000. During the three months ended June 30, 2004, the real estate activities incurred general and administration expenses of $90,000. Interest expense for the real estate activities was approximately $30,000 and $57,000 for the three months ended June 30, 2005 and 2004, respectively. In addition, the Company capitalized interest and development costs of $39,000 and $24,000, respectively, for the three months ended June 30, 2005 and $7,000 and $68,000, respectively, for the three month period ended June 30, 2004, respectively.

Six Months Ended June 30, 2005 Compared to Six Months Ended June 30, 2004

The Company recorded a net loss of $421,000 and $246,000 for the six month periods ended June 30, 2005 and 2004.

During the six months ended June 30, 2005, our real estate activities incurred general and administrative expenses of approximately $371,000, which consisted principally of real estate taxes and maintenance expenses of approximately $47,000 and an allocation of other general and administrative expenses of approximately $324,000. During the six months ended June 30, 2004, the real estate activities incurred general and administration expenses of $147,000, representing real estate taxes of $30,000 and an allocation of other general and administrative expenses of approximately $115,000. Interest expense

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for the real estate activities was approximately $50,000 and $99,000 for the six months ended June 30, 2005 and 2004, respectively. In addition, the Company capitalized interest and development costs of $88,000 and $36,000, respectively, for the six months ended June 30, 2005 and $141,000 and $14,000, respectively, for the six month period ended June 30, 2004, respectively.

PLAN OF OPERATION - REAL ESTATE ACTIVITIES

The Company's first real estate investment, of land held for development and sale, acquired through its wholly owned subsidiary, Lehigh, was made on December 22, 2003. On April 30, 2004, the Company, through a separate wholly owned subsidiary, WH Acquisition Corp., purchased a parcel of residential real estate for $122,000, utilizing approximately $113,000 in cash and the application of deposits of approximately $9,000.

NuWave is preparing a development plan for the property acquired on December 22, 2003. The Company will then determine whether to sell or further develop the property. The property acquired in April 2004 will not be developed and is in the process of being marketed by a real estate company for sale for a gain. To date, there have been no revenues from real estate activities. Revenues from development activities are not projected to be realized until late 2007 into mid 2008.

NuWave follows SFAS No. 34, "Capitalization of Interest Costs", which provides for the capitalization of interest as part of the historical cost of acquiring certain assets. Interest is capitalized on assets that require a period of time to get them ready for their intended use, such as real estate development projects. Interest is capitalized from the period activities begin, such as planning and permitting, until such time as the project is complete. Interest costs include interest recognized on obligations having explicit rates, as well as the amortization of discounts that result from imputing interest on convertible debentures over the life of the obligation. Interest is capitalized on only the net book value of the land and improvements, net of the discount recorded on the acquisition of the land. Interest on specific borrowings associated with the land, that are in excess of its net book value are expensed as incurred.

LIQUIDITY AND CAPITAL RESOURCES

The Company had cash balances on hand of $9,000 and $84,000 as of June 30, 2005 and December 31, 2004, respectively. The Company's future cash funding sources continue to be uncertain. The Company's primary cash needs are to fund ongoing operations, debt instruments and related interest when due and real estate development activities. The Company will defer any land development and construction expenditures until after it has arranged adequate funding. In order to obtain funding during the next twelve months, the Company intends to seek financing through a combination of sources. These sources might include, in addition to the Standby Equity Distribution Agreement, funding through the sale of securities, loans, property, finding a merger candidate and establishing joint venture or partner arrangements.

On January 26, 2005, the Company entered into a Standby Equity Distribution Agreement with Cornell Capital Partners, LP ("Cornell"). Pursuant to the Standby Equity Distribution Agreement, the Company may, at its discretion, periodically sell to Cornell registered shares of the Company's common stock for a total purchase price of up to $30 million. For each share of common stock issued under the Standby Equity Distribution Agreement, Cornell will pay NuWave 99% of the volume weighted average price on the Over-the-Counter Bulletin Board or other principal market on which its common stock is traded for the 5 days immediately following the notice date. Further, Cornell will retain an underwriting fee of 10% of each advance under the Standby Equity Distribution Agreement. Pursuant to the terms of the Standby Equity Distribution Agreement, the Company is restricted from raising capital from the sale of securities at a price less than the market price of the Company's common stock on the date of issuance or granting additional security interests in the Company's assets.

In seeking sources of liquidity, NuWave intends to continue to rely on the sale of securities or loans for near term working capital needs. NuWave expects to satisfy its funding needs in the remaining part of 2005 through the Standby Equity Distribution Agreement and other financing sources. In their reports on the audits of NuWave's consolidated financial statements for the years ended December 31, 2004, and 2003, our independent registered public accounting firms included an explanatory paragraph in their reports because of the uncertainty that we could continue in business as a going concern. In the event we are unable to raise the anticipated operating capital needs through the sale of securities or some other form of financing or receive cash from sales of our products, there would be substantial doubt about our ability to continue as a going concern.

During the six month period ended June 30, 2005, the Company had a net decrease in cash of $75,000. The Company's sources and uses of funds were as follows:

CASH USED IN OPERATING ACTIVITIES. Net cash used in operating activities was $312,000 for the six months ended June 30, 2005, as compared to net cash used in operating activities of $150,000 for the six months ended June 30, 2004. This was primarily driven by a consolidated net loss of $518,000, offset by the receipt of proceeds of $50,000 from the sale of certain of the Company's state net operating losses and an increase in accounts payable, accrued liabilities and accrued interest of $108,000.

CASH USED IN INVESTING ACTIVITIES. Net cash used in investing activities was $35,000 for the six months ended June 30, 2005, as compared to $152,000 for the same period in 2004, during which the Company purchased a real estate property for development. The decrease in cash used in investing activities was due to the Company not purchasing additional real estate parcels during the six months ended June 30, 2005.

CASH USED IN FINANCING ACTIVITIES. Net cash flows from financing for the six months ended June 30, 2005 consisted primarily of the proceeds from the issuance of a convertible debenture to Cornell to provide the Company with operating capital. During the period ended June 30, 2004, the Company realized proceeds of $360,000 for the issuance of convertible debentures.

At June 30, 2005, the Company had a negative net working capital position of approximately $830,000. The Company intends to monitor spending carefully until such time that new funding is arranged. Beyond the financing provided through the Standby Equity Distribution Agreement, NuWave is exploring other means of providing working capital that may include seeking joint venture partners, other lenders or even selling the Company.

During April 2005, NuWave received net proceeds of approximately $22,000 under the Standby Equity Distribution by issuing 600,000 shares of common stock to Cornell. On May 5, 2005, NuWave received net proceeds of $220,000 from the issuance of a convertible debenture to Cornell. Any part of the principal amount of the convertible debenture, plus accrued interest, is convertible at Cornell's option any time up to maturity into shares of the Company's common stock at a fixed price per share equal to $0.10. The convertible debenture has a 210-day term, piggy-back registration rights and accrues interest at 12% per year.

On July 20, 2005 NuWave Technologies, Inc. (the "Company") issued a $150,000 debenture (the "Debenture") to Cornell Capital Partners, LP ("Cornell"). Any part of the principal amount of the Debenture, plus accrued interest, is convertible at Cornell's option any time up to maturity into shares of the Company's common stock at a fixed price per share equal to $0.10. The Debenture has a 210-day term, has piggy-back registration rights and accrues interest at twelve percent (12%) per year.

ITEM 3. CONTROLS AND PROCEDURES

The Company's Chief Executive Officer, who is also the acting Principal Financial Officer, has evaluated the effectiveness of the Company's "disclosure controls and procedures," as such term is defined in Rule 13a-15(e) of the Securities Exchange Act of 1934, as amended, as of the end of the period covered by this report. The evaluation process, including the inherent limitations on the effectiveness of such controls and procedures is more fully discussed below. Based upon his evaluation, the principal executive officer, who is also the acting principal financial officer, has concluded that the Company's disclosure controls and procedures, although effective, did contain a material weakness.

This material weakness is the lack of the necessary corporate accounting resources. At the current time, the Company's Chief Executive Officer, who is one of only two of the Company's full time employees, solely has the responsibility for receipts and disbursements. The Company employs a financial consultant to prepare the periodic financial statements and public filings. Reliance on these limited resources impairs our ability to provide for a proper segregation of duties and the ability to ensure consistently complete and accurate financial reporting, as well as disclosure controls and procedures. As the Company grows, and as resources permit, we project that the Company's Chief Executive Officer will hire such additional competent financial personnel to assist in the segregation of duties with respect to financial reporting, and Sarbanes-Oxley Section 404 compliance.

We believe that, for the reasons described above, we will be able to improve our financial reporting and disclosure controls and procedures and remedy the material weakness identified above. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, will be or have been detected.

There were no changes in our internal controls over financial reporting that occurred during the quarter ended June 30, 2005 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II

OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

None.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

During April 2005, NuWave received net proceeds of approximately $22,000 under the Standby Equity Distribution Agreement by issuing 600,000 shares of common stock to Cornell.

On May 5, 2005, NuWave received net proceeds of $220,000 from the issuance of a convertible debenture to Cornell. Any part of the principal amount of the convertible debenture, plus accrued interest, is convertible at Cornell's option any time up to maturity into shares of the Company's common stock at a fixed price per share equal to $0.10. The convertible debenture has a 210-day term, piggy-back registration rights and accrues interest at 12% per year. In regard to this transaction, the facts relied on to make the exemption from registration provided by Section 4(2) of the Securities Act of 1933 available for the sale of securities discussed above were: (1) the limited number of purchasers; (2) the sophistication or accreditation of the purchasers; (3) their relationship with the Company and/or access to material information about the Company; (4) the information furnished to them by the Company; (5) the absence of any general solicitation or advertising; and (6) restrictions on transfer of the securities issued to them as indicated by a legend on the certificates representing such securities.

On July 20, 2005 NuWave Technologies, Inc. (the "Company") issued a

$150,000 debenture (the "Debenture") to Cornell Capital Partners, LP ("Cornell"). Any part of the principal amount of the Debenture, plus accrued interest, is convertible at Cornell's option any time up to maturity into shares of the Company's common stock at a fixed price per share equal to $0.10. The Debenture has a 210-day term, has piggy-back registration rights and accrues interest at twelve percent (12%) per year.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) DOCUMENTS FILED AS PART OF THIS REPORT.

31.1 Certification by Chief Executive Officer/Acting Principal Financial Officer pursuant to 15 U.S.C. Section 7241, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

32.1 Certification by Chief Executive Officer/Acting Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

NUWAVE TECHNOLOGIES, INC.
(Registrant)

Date: August 19, 2005

By: /s/ George Kanakis,

George Kanakis,
President, Chief Executive Officer and
Acting Principal Financial Officer

SIGNATURE	TITLE	DATE
/s/ George Kanakis George Kanakis	Director	August 19, 2005

/s/ Gary Giannantonio	Director	August 19, 2005

Gary Giannantonio		