NEW VISUAL CORP
Form 10-Q
September 15, 2003

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

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED JULY 31, 2003

COMMISSION FILE NUMBER 0-21785

NEW VISUAL CORPORATION
(Exact name of registrant as specified in its charter)

UTAH	95-4543704
(State or other jurisdiction of incorporation or organization)	(I.R.S. employer identification no.)
5920 FRIARS ROAD, SUITE 104 SAN DIEGO, CALIFORNIA 92108	(619) 692-0333
(Address of principal executive offices, including zip code)	(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 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 [ ]

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Yes [ ] No [X]

The number of shares of the issuer's Common Stock, par value $.001 per share, outstanding as of September 12, 2003, was 68,824,080.

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

ITEM I - FINANCIAL STATEMENTS

NEW VISUAL CORPORATION AND SUBSIDIARIES
(A DEVELOPMENT-STAGE COMPANY COMMENCING NOVEMBER 1, 1999)
INDEX TO FORM 10-Q
JULY 31, 2003

NEW VISUAL CORPORATION AND SUBSIDIARIES

(A DEVELOPMENT-STAGE COMPANY COMMENCING NOVEMBER 1, 1999)
CONDENSED CONSOLIDATED BALANCE SHEETS

ASSETS

	July 31, 2003 (Unaudited)	October 31 2002
Current Assets:		
Cash	$ 117,578	$ 311,5
Other receivable from officers	9,154	10,0
Other current assets	61,562	1,6
Total Current Assets	188,294	323,2
Property and Equipment - Net of accumulated depreciation of $415,880 at July 31, 2003 and $397,159 at October 31, 2002, respectively	45,812	64,5
Technology License and Capitalized Software Development Fee	5,751,000	5,751,0
Projects under Development	2,178,831	2,178,8
Other Assets	14,679	14,6
Total Assets	$ 8,178,616	$ 8,332,3

LIABILITIES AND STOCKHOLDERS' EQUITY

	July 31, 2003 (Unaudited)	October 31 2002
Current Liabilities:		
Convertible notes payable	$ 1,163,000	$ 954,5
Notes payable	730,311	971,4
Accounts payable and accrued expenses	1,711,499	2,247,6
License and development fees payable	138,000	734,0
Total Liabilities	3,742,810	4,907,6
Redeemable Series B Preferred Stock	3,192,000	3,192,0
Commitments, Contingencies and Other Matters		
Stockholders' Equity:		
Preferred stock - $0.01 par value; 15,000,000 shares authorized; Series A junior participating preferred stock; -0- shares issued and outstanding	--	
Common stock - $0.001 par value; 100,000,000 shares authorized; 67,367,482 and 49,787,069 shares issued and outstanding at July 31, 2003 and October 31, 2002, respectively	67,367	49,7
Additional paid-in capital	50,517,794	47,097,8
Unearned financing fees	(22,391)	(214,9
Unearned compensation	(673,382)	(331,5
Accumulated deficit at October 31, 1999	(12,300,033)	(12,300,0
Deficit accumulated during the development stage	(36,345,549)	(34,068,3
Total Stockholders' Equity	1,243,806	232,6
Total Liabilities and Stockholders' Equity	$ 8,178,616	$ 8,332,3

See notes to condensed consolidated financial statements.

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NEW VISUAL CORPORATION AND SUBSIDIARIES
(A DEVELOPMENT-STAGE COMPANY COMMENCING NOVEMBER 1, 1999)
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	For the Nine Months Ended July 31, 2003	For the Nine Months Ended July 31, 2002	For the Period fr November 1, 1999 July 31, 2003
REVENUES	$ --	$ --	$ 12,200
OPERATING EXPENSES:			
Cost of sales	--	--	21,403
Projects costs written-off	--	--	114,613
Acquired in-process research and development expenses	--	--	6,050,000
Compensatory element of stock issuances related to selling, general and administrative expenses	1,659,429	1,601,295	10,936,023
Research and development	71,401	1,400,019	3,024,725
Selling, general and administrative expenses	1,523,308	2,504,605	11,207,799
Litigation settlement	--	--	1,000,000
Loss on disposal of equipment	--	--	7,500
TOTAL OPERATING EXPENSES	3,254,138	5,505,919	32,362,063
OPERATING LOSS	(3,254,138)	(5,505,919)	(32,349,863)
OTHER (INCOME) EXPENSES:			
Interest expense	235,730	1,004,986	1,628,522
Amortization of unearned financing costs	261,327	861,040	3,841,164
Gain on litigation settlement	(1,474,000)	--	(1,474,000)
TOTAL OTHER EXPENSES (INCOME)	(976,943)	1,866,026	3,995,686
NET LOSS	$ (2,277,195)	$ (7,371,945)	$(36,345,549)
BASIC AND DILUTED NET LOSS PER SHARE	$ (0.04)	$ (0.19)	
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	57,206,153	39,398,658	

See notes to condensed consolidated financial statements.

NEW VISUAL CORPORATION AND SUBSIDIARIES
(A DEVELOPMENT-STAGE COMPANY COMMENCING NOVEMBER 1, 1999)
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	For the Three Months Ended July 31, 2003	For the Three Months Ended July 31, 2002
REVENUES	$ --	$ --
OPERATING EXPENSES:		
Compensatory element of stock issuances related to selling, general and administrative expenses	326,436	139,142
Research and development	--	121,088
Selling, general and administrative expenses	533,165	1,128,897
TOTAL OPERATING EXPENSES	859,601	1,389,127
OPERATING LOSS	(859,601)	(1,389,127)
OTHER EXPENSES:		
Interest expense	111,610	555,677
Amortization of unearned financing costs	51,176	337,728
TOTAL OTHER EXPENSES	162,786	893,405
NET LOSS	$ (1,022,387)	$ (2,282,532)
BASIC AND DILUTED LOSS PER SHARE	$ (0.02)	$ (0.05)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	65,114,315	47,470,923

See notes to condensed consolidated financial statements.

NEW VISUAL CORPORATION AND SUBSIDIARIES
(A DEVELOPMENT-STAGE COMPANY COMMENCING NOVEMBER 1, 1999)

CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
(UNAUDITED)
FOR THE NINE MONTHS ENDED JULY 31, 2003

	Common Stock		Ad
	Shares	Amount	
Nine Months Ended July 31, 2003:			
Balance - October 31, 2002	49,787,069	$ 49,787	$ 4
Issuance of common stock for cash ($.15 to $.35 per share)	15,253,411	15,253	
Issuance of common stock for conversion of promissory notes and interest ($.39 to $1.00 per share)	775,941	776	
Issuance of common stock for deferred payroll	88,710	89	
Issuance of common stock under consulting agreements ($.41 to $.64 per share)	3,621,875	3,622	
Cashless exercise of warrants	40,476	40	
Cancellation of shares under legal settlement	(2,200,000)	(2,200)	(
Stock offering costs	--	--	
Value assigned to beneficial conversion feature	--	--	
Value assigned to warrants issued to consultant	--	--	
Value assigned to options issued to consultant	--	--	
Amortization of unearned compensation expense	--	--	
Amortization of unearned financing cost	--	--	
Net loss	--	--	
Balance - July 31, 2003	67,367,482	$ 67,367	$ 5

	Unearned Financing Costs	U Com
Nine Months Ended July 31, 2003:		
Balance - October 31, 2002	$ (214,952)	$
Issuance of common stock for cash ($.15 to $.35 per share)	--	
Issuance of common stock for conversion of promissory notes and interest ($.39 to $1.00 per share)	--	
Issuance of common stock for deferred payroll	--	
Issuance of common stock under consulting agreements ($.41 to $.64 per share)	--	(
Cashless exercise of warrants	--	
Cancellation of shares under legal settlement	--	
Stock offering costs	--	
Value assigned to beneficial conversion feature	(68,766)	
Value assigned to warrants issued to consultant	--	
Value assigned to options issued to consultant	--	
Amortization of unearned compensation expense	--	
Amortization of unearned financing cost	261,327	
Net loss	--	
Balance - July 31, 2003	$ (22,391)	$

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See notes to condensed consolidated financial statements.

NEW VISUAL CORPORATION AND SUBSIDIARIES
(A DEVELOPMENT-STAGE COMPANY COMMENCING NOVEMBER 1, 1999)
CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
(UNAUDITED)
FOR THE NINE MONTHS ENDED JULY 31, 2003

	Accumulated Deficit
Nine Months Ended July 31, 2003:	
Balance - October 31, 2002	$(46,368,387)
Issuance of common stock for cash ($.15 to $.35 per share)	--
Issuance of common stock for conversion of promissory notes and interest ($.39 to $1.00 per share)	--
Issuance of common stock for deferred payroll ($.62 per share)	--
Issuance of common stock under consulting agreements	--
($.41 to $.64 per share)	--
Cashless exercise of warrants	--
Cancellation of shares under legal settlement	--
Stock offering costs	--
Value assigned to beneficial conversion feature	--
Value assigned to warrants issued to consultant	--
Value assigned to options issued to consultant	--
Amortization of unearned compensation expense	--
Amortization of unearned financing cost	--
Net loss	(2,277,195)
Balance - July 31, 2003	$(48,645,582)
Accumulated deficit as of November 1, 1999	$(12,300,033)
Accumulated deficit during development stage (November 1, 1999 to July 31, 2003)	(36,345,549)
Total Accumulated Deficit as of July 31, 2003	$(48,645,582)

See notes to condensed consolidated financial statements.

NEW VISUAL CORPORATION AND SUBSIDIARIES
(A DEVELOPMENT-STAGE COMPANY COMMENCING NOVEMBER 1, 1999)
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	For the Nine Months Ended July 31, 2003	For the Nine Months Ended July 31, 2002	For the Pe November July 31
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss	$ (2,277,195)	$ (7,371,945)	$(36,37
Adjustments to reconcile net loss to net cash used in operating activities:			
Consulting fees and other compensatory elements of stock issuances	1,659,429	1,601,295	10,93
Stock issued for acquired in-process research and development	--	--	6,05
Stock issued for litigation settlement	--	--	1,00
Projects costs written-off	--	--	11
Amortization of unearned financing costs	261,327	861,040	3,84
Depreciation	18,721	61,937	31
Loss on disposal of equipment	--	3,596	
Interest charges related to convertible notes	--	497,375	
Unusual item - gain on litigation settlement	(1,474,000)	--	(1,47
Changes in Assets (Increase) Decrease:			
Other current assets	(59,912)	70,979	(10
Due from related parties	877	(42,435)	6
Projects under development	--	(133,659)	(2,15
Other assets	--	19,502	(
Changes in Liabilities Increase (Decrease):			
Accounts payable and accrued expenses	(272,006)	790,965	2,38
NET CASH USED IN OPERATING ACTIVITIES	(2,142,759)	(3,641,350)	(15,40
CASH USED IN INVESTING ACTIVITIES			
Acquisition of property and equipment	--	(2,513)	(40
Acquisition of license	(596,000)	(965,000)	(1,67
Proceeds from sale of equipment	--	--	14
NET CASH USED IN INVESTING ACTIVITIES	(596,000)	(967,513)	(1,93
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of common stock	2,657,813	1,978,925	13,45
Proceeds from loan payable	--	500,000	1,45
Proceeds from exercise of warrants	--	728,000	93
Proceeds from convertible notes payable	287,000	1,507,750	2,69
Repayments of notes payable	(241,096)	--	(74
Offering costs related to stock issuances	(159,017)	(241,518)	(40
Purchase of treasury stock	--	(82,000)	

NET CASH PROVIDED BY FINANCING ACTIVITIES	2,544,700	4,391,157	17,39
(DECREASE) INCREASE IN CASH	(194,059)	(217,706)	5
CASH AND CASH EQUIVALENTS - BEGINNING	311,577	294,802	6
CASH AND CASH EQUIVALENTS - ENDING	$ 117,518	$ 77,096	$ 11

See notes to condensed consolidated financial statements.

NEW VISUAL CORPORATION AND SUBSIDIARIES
(A DEVELOPMENT-STAGE COMPANY COMMENCING NOVEMBER 1, 1999)
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:

	For the Nine Months Ended July 31,		For the Pe November
	2003	2002	July 31
Cash paid during the period for:			
Interest	$ 54,904	$ --	$ 5
Income taxes	$ --	$ --	$
Non-Cash Investing and Financing Activities:			
Principal and interest on convertible notes satisfied by issuance of common stock	$ 287,750	$ 2,039,625	$ 2,47
Common stock issued in the acquisition of license	$ --	$ 750,000	$ 75
Redeemable Series B Preferred stock issued in the acquisition of license	$ --	$ 3,192,000	$ 3,19

See notes to condensed consolidated financial statements.

NEW VISUAL CORPORATION AND SUBSIDIARIES
(A DEVELOPMENT-STAGE COMPANY COMMENCING NOVEMBER 1, 1999)
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE 1 - PRINCIPLES OF CONSOLIDATION AND BUSINESS AND CONTINUED OPERATIONS

PRINCIPLES OF CONSOLIDATION

The condensed consolidated financial statements include the accounts of New Visual Corporation and its wholly owned operating subsidiaries, NV Entertainment, Inc., Impact Multimedia, Inc. and NV Technology, Inc. (formerly New Wheel Technology, Inc.) ("New Wheel") (collectively, the "Company"). All significant intercompany balances and transactions have been eliminated.

BUSINESS AND CONTINUED OPERATIONS

New Visual Corporation was incorporated under the laws of the State of Utah on December 5, 1985.

In November of 1999, the Company began to focus its business activities on the development of telecommunications technologies. Pursuant to such plan, in February of 2000, the Company acquired New Wheel Technology, Inc., a development stage, California-based, technology company, which now operates as the Company's wholly-owned subsidiary, NV Technology, Inc., a Delaware corporation. As a result of the change in business focus, the Company became a development stage entity commencing November 1, 1999.

The accompanying condensed consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, which contemplate continuation of the Company as a going concern. However, for the nine months ended July 31, 2003, the Company incurred a net operating loss of approximately $2,277,000 and had a working capital deficiency of $3,554,516. The Company has limited finances and requires additional funding in order to accomplish its growth objectives and marketing of its products and services. There is no assurance that the Company can reverse its operating losses, or that it can raise additional capital to allow it to expand its planned operations. These factors raise substantial doubt about the Company's ability to continue as a going concern.

The Company operates in two business segments, the production of motion pictures, films and videos (entertainment segment) and development of telecommunications technologies (telecommunication segment). The success of the Company's entertainment business is dependent on future revenues from the Company's current joint venture production agreement

NEW VISUAL CORPORATION AND SUBSIDIARIES

NOTE 1 - PRINCIPLES OF CONSOLIDATION AND BUSINESS AND CONTINUED OPERATIONS (CONTINUED)

BUSINESS AND CONTINUED OPERATIONS (CONTINUED)

The success of the Company's telecommunication segment is dependent upon the successful completion of development and marketing of its broadband technology. No assurance can be given that the Company can complete such technology, or that it can commercialize it on a large-scale basis or at a feasible cost. No assurance can be given that such technology will receive market acceptance.

Until the commencement of sales from either segment, the Company will have no operating revenues, but will continue to incur substantial operating expenses, capitalized costs and operating losses.

Management's business plan will require additional financing. To support its operations during the nine months ended July 31, 2003, the Company borrowed $287,000 represented by convertible promissory notes.

During the nine months ended July 31, 2003, the Company received $2,657,813 from the sale of 15,233,411 shares of its common stock. The Company is exploring other financing alternatives, including private placements and public offerings.

The Company's ability to continue as a going concern is dependent upon obtaining additional financing. These consolidated financial statements do not include any adjustments relating to the recoverability of recorded asset amounts that might be necessary as a result of the above uncertainty.

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation, have been included. Operating results for the nine-month period ended July 31, 2003 are not necessarily indicative of the results that may be expected for the year ending October 31, 2003.

The condensed consolidated balance sheet at October 31, 2002 has been derived from the audited consolidated financial statements at that date, but does not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE 1 - PRINCIPLES OF CONSOLIDATION AND BUSINESS AND CONTINUED OPERATIONS (CONTINUED)

BUSINESS AND CONTINUED OPERATIONS (CONTINUED)

For further information, refer to the consolidated financial statements and footnotes thereto included in the Registrant's Annual Report on Form 10-K for the year ended October 31, 2002.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ACCOUNTING ESTIMATES

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

PROJECT UNDER DEVELOPMENT

Statement of Positions SOP-00-2, "Accounting by Producers or Distributors of Films" ("SOP-00-2"), requires that film costs be capitalized and reported as a separate asset on the balance sheet. Film costs include all direct negative costs incurred in the production of a film, as well as allocations of production overhead and capitalized interest. Direct negative costs include cost of scenario, story, compensation of cast, directors, producers, writers, extras and staff, cost of set construction, wardrobe, accessories, sound synchronization, rental of facilities on location and post production costs. SOP-00-2 also requires that film costs be amortized and participation costs accrued, using the individual-film-forecast-method-computation method, which amortizes or accrues such costs in the same ratio that the current period actual revenue (numerator) bears to the estimated remaining unrecognized ultimate revenue as of the beginning of the fiscal year (denominator).

In addition, SOP-00-2 also requires that if an event or change in circumstances indicates that an entity should assess whether the fair value of a film is less than its unamortized film costs, then an entity should determine the fair value of the film and write-off to the statement of operations the amount by which the unamortized capital costs exceeds the film's fair value. The Company adopted the standard effective November 1, 2001, which did not have a material effect on the Company's financial position or results of operations.

The Company commences amortization of capitalized film costs and accrues expenses of participation costs when a film is released and it begins to recognize revenue from the film.

NEW VISUAL CORPORATION AND SUBSIDIARIES
(A DEVELOPMENT-STAGE COMPANY COMMENCING NOVEMBER 1, 1999)
NOTES CONDENSED TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

RESEARCH AND DEVELOPMENT

Research and development costs are charged to expense as incurred. Amounts allocated to acquired-in-process research and development costs from business combinations are charged to earnings at the consummation of the acquisition.

NET LOSS PER COMMON SHARE

Basic net loss per share of common stock is computed based on the weighted average number of common shares outstanding during the periods presented.

CAPITALIZED SOFTWARE DEVELOPMENT COSTS

Capitalization of computer software development costs begins upon the establishment of technological feasibility. Technological feasibility for the Company's computer software is generally based upon achievement of a detail program design free of high-risk development issues and the completion of research and development on the product hardware in which it is to be used. The establishment of technological feasibility and the ongoing assessment of recoverability of capitalized computer software development costs requires considerable judgment by management with respect to certain external factors, including, but not limited to, technological feasibility, anticipated future gross revenue, estimated economic life and changes in software and hardware technology.

Amortization of capitalized computer software development costs commences when the related products become available for general release to customers. Amortization is provided on a product-by-product basis. The annual amortization is the greater of the amount computed using (a) the ratio that current gross revenue for a product bears to the total of current and anticipated future gross revenue for that product, or (b) the straight-line method over the remaining estimated economic life of the product.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CAPITALIZED SOFTWARE DEVELOPMENT COSTS (CONTINUED)

The Company periodically performs reviews of the recoverability of such capitalized software costs. At the time a determination is made that capitalized amounts are not recoverable based on the estimated cash flows to be generated from the applicable software, the capitalized costs of each software product is then valued at the lower of its remaining unamortized costs or net realizable value.

The Company has no amortization expense for the nine months ended July 31, 2003 and 2002 for its capitalized software development costs.

STOCK-BASED COMPENSATION

The Company follows SFAS No. 123, "Accounting for Stock-Based Compensation." SFAS No. 123 establishes accounting and reporting standards for stock-based employee compensation plans. This statement allows companies to choose between the fair value-based method of accounting as defined in this statement and the intrinsic value-based method of accounting as prescribed by Accounting Principles Board Opinion No. 25 ("APB 25"), "Accounting for Stock Issued to Employees."

The Company has elected to continue to follow the accounting guidance provided by APB 25, as permitted for stock-based compensation relative to the Company's employees. Stock and options granted to other parties in connection with providing goods and services to the Company are accounted for under the fair value method as prescribed by SFAS 123.

In December 2002, the Financial Accounting Standard Board ("FASB") issued SFAS No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure - an Amendment of SFAS Statement No. 123". This statement amends SFAS No. 123 to provide alternative methods of transition for a voluntary change to the fair value-based method of accounting for stock-based employee compensation. In addition, SFAS No. 148 amends the disclosure requirements of SFAS No. 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. SFAS No. 148 also requires that those effects be disclosed more prominently by specifying the form, content, and location of those disclosures. The Company has adopted the increased disclosure requirements of SFAS No. 148 for the nine months ended July 31, 2003.

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NEW VISUAL CORPORATION AND SUBSIDIARIES
(A DEVELOPMENT-STAGE COMPANY COMMENCING NOVEMBER 1, 1999)
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

STOCK-BASED COMPENSATION (CONTINUED)

The additional disclosures required by SFAS No. 148 are as follows:

Nine Months Ended

	July 31, 2003	July 31, 2002
Net loss attributable to common stockholders, as reported	$ (2,277,195)	$ (7,371,945)
Add: Stock-based employee compensation expense included in reported net loss applicable to common stockholders	--	--
Less: Total stock-based employee compensation expense determined under the fair value-based method of all awards	(713,374)	(3,335,228)
Proforma net loss attributable to common stockholders	$ (2,990,569)	$(10,707,173)
Basic and Diluted Net Loss Attributable to Common Stockholders:		
As reported	$ (0.04)	$ (0.19)
Proforma	$ (0.05)	$ (0.27)

IMPAIRMENT OF LONG-LIVED ASSETS

Pursuant to Statement of Financial Accounting Standards (SFAS) No. 144, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of", the Company evaluates its long-lived assets for financial impairment, and continues to evaluate them as events or changes in circumstances indicate that the carrying amount of such assets may not be fully recoverable.

The Company evaluates the recoverability of long-lived assets by measuring the carrying amount of the assets against the estimated undiscounted future cash flows associated with them. At the time such evaluations indicate that the future undiscounted cash flows of certain long-lived assets are not sufficient to recover the carrying value of such assets, the assets are adjusted to their fair values.

SEGMENT REPORTING

Effective January 1, 1998, the Company adopted the provisions of SFAS No. 131, "Disclosures About Segments of an Enterprise and Related Information." SFAS No. 131 establishes standards for the way public enterprises report information about operating segments in annual financial statements and requires those enterprises to report selected information about operating segments in interim financial reports issued to stockholders.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

RECLASSIFICATIONS

Certain prior year balances have been reclassified to conform to the current year presentation.

IMPACT OF RECENTLY ISSUED ACCOUNTING STANDARDS

In April 2002, the FASB issued SFAS No. 145, "Rescission of SFAS Statement No. 4, 44 and 64, Amendment of FASB Statement No. 13, and Technical Corrections." SFAS No. 145 requires that gains and losses from extinguishment of debt be classified as extraordinary items only if they meet the criteria in Accounting Principles Board Opinion No. 30 ("Opinion No. 30"). Applying the provisions of Opinion No. 30 will distinguish transactions that are part of an entity's recurring operations from those that are unusual and infrequent that meet the criteria for classification as an extraordinary item. The Company adopted SFAS No. 145 as of the six months ended April 30, 2003,. The adoption had no significant impact on its financial position and results of operations.

In June 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." SFAS No. 146 addresses accounting and reporting for costs associated with exit or disposal activities and nullifies Emerging Issues Task Force Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (Including Certain Costs Incurred in a Restructuring)". SFAS No. 146 requires that a liability for a cost associated with an exit or disposal activity be recognized and measured initially at fair value when the liability is incurred. SFAS No. 146 has been adopted as of April 30, 2003 and had no significant impact on its financial statements.

In November 2002, the FASB issued Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others" ("FIN 45"). FIN 45 requires a company, at the time it issues a guarantee, to recognize an initial liability for the fair value of obligations assumed under the guarantee and elaborates on existing disclosure requirements related to guarantees and warranties. The initial recognition requirements of FIN 45 are effective for guarantees issued or modified after December 31, 2002 and adoption of the disclosure requirements are effective for the Company during the first quarter ending January 31, 2003. The adoption of FIN 45 had no significant impact on its consolidated financial position or results of operations.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

IMPACT OF RECENTLY ISSUED ACCOUNTING STANDARDS (CONTINUED)

In January 2003, the FASB issued FASB Interpretation No. 46 ("FIN 46"), "Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51." FIN 46 requires certain variable interest entities to be consolidated by the primary beneficiary of the entity if the equity investors in the entity do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. FIN 46 is effective for all new variable interest entities created or acquired after January 31, 2003. For variable interest entities created or acquired prior to February 1, 2003, the provisions of FIN 46 must be applied for the first interim or annual period beginning after June 15, 2003. The Company is currently evaluating the effect that the adoption of FIN 46 will have on its results of operations and financial condition.

In April 2003, FASB issued SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities." The Statement amends and clarifies accounting for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities under Statement 133. This Statement is effective for contracts entered into or modified after June 30, 2003, except as stated below and for hedging relationships designated after June 30, 2003. The guidance should be applied prospectively. The provisions of this Statement that relate to Statement 133 Implementation Issues that have been effective for fiscal quarters that began prior to June 15, 2003 should continue to be applied in accordance with their respective effective dates. In addition, certain provisions relating to forward purchases or sales of when-issued securities or other securities that do not yet exist, should be applied to existing contracts as well as new contracts entered into after June 30, 2003. The Company has not yet evaluated the impact from SFAS No. 149 on its financial position and results of operations, if any.

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity." SFAS No. 150 establishes standards for classification and measurement in the statement of financial position of certain financial instruments with characteristics of both liabilities and equity. It requires classification of a financial instrument that is within its scope as a liability (or an asset in some circumstances). SFAS No. 150 is effective for financial instruments entered into or modified after May 31, 2003 and, otherwise, is effective at the beginning of the first interim period beginning after June 15, 2003. The Company is currently evaluating the effect that the adoption of SFAS No. 150 will have on its financial position and results of operations.

NOTE 3 - TECHNOLOGY LICENSE AND DEVELOPMENT AGREEMENT

On April 17, 2002, the Company entered into a development and license agreement with Adaptive Networks, Inc. ("ANI") to acquire a worldwide, perpetual license to ANI's Powerstream technology, intellectual property, and patent portfolio for use in products relating to all applications in the field of the copper telephone wire telecommunications network. In consideration of the grant of the license, the Company assumed certain debt obligations of ANI to Zaiq Technologies, Inc. ("Zaiq") and TLSI, Inc. ("TLSI"). The Company then issued 3,192 shares of its Series B Preferred Stock, valued at $3,192,000, with a liquidation preference of $1,000 per share and paid $250,000 in cash to Zaiq in satisfaction of the Zaiq debt. The Company also issued 624,480 shares of common stock, valued at $750,000, to TLSI in satisfaction of the TLSI debt. The value of the consideration issued by the Company in connection with the license agreement totaled $4,192,000.

The Company also agreed to pay ANI a development fee of $1,559,000 for software development services and to pay ANI a royalty equal to a percentage of the net sales of products sold by the Company and license revenue received by the Company. As of July 31, 2003, $138,000 of this development fee was outstanding.

The Company capitalized the consideration issued in connection with the license fee and development fee totaling $5,751,000. The Company's technical employees and advisors concluded that, as of March 2002, the Company had established technological feasibility for its ultimate telecommunication product to be marketed. Additional development services and testing, to be performed principally by ANI, are necessary to complete the product development.

The success of the Company's telecommunication segment is dependent upon the successful completion of development and testing of its broadband technology currently under development by its wholly owned subsidiary, NV Technology, Inc. No assurance can be given that the Company can complete development of such technology, or that with respect to such technology that is fully developed, it can be commercialized on a large-scale basis or at a feasible cost. No assurance can be given that such technology will receive market acceptance.

NOTE 4 - "STEP INTO LIQUID" - FEATURE LENGTH FILM

In April 2000, the Company entered into a joint venture production agreement to produce a feature length film for theatrical distribution. The Company agreed to provide the funding for the production in the amount of up to $2,250,000 and, in exchange, received a 50% share in all net profits from worldwide distribution and merchandising, after receiving funds equal to its initial investment of up to $2,250,000.

Artisan Entertainment is distributing the Company's feature length film within the US and Canada. The film was released in August 2003. The definitive agreement includes a substantial print and advertising promotional commitment for the theatrical release, distribution fees, performance-driven minimum guarantees for both the theatrical and video/DVD releases, a modest cash advance and a 10-year license.

As of July 31, 2003, the Company has funded approximately $2,179,000 of production and other costs, which was included in projects under development in the accompanying consolidated balance sheet. As of July 31, 2003, the film was completed. No amortization of the capitalized film cost was necessary for the nine-month periods ended July 31, 2003 and 2002.

NOTE 5 - ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consist of the following:

	At July 31, 2003	At October 31, 2002
Deferred officers compensation	$ 66,601	$ 181,596
Accrued bonuses and payroll	498,037	334,307
Professional fees	409,317	623,044
Interest payable	490,101	541,350
Consulting fees	2,500	62,018
Miscellaneous	244,943	505,383
	$ 1,711,499	$ 2,247,698

NOTE 6 - CONVERTIBLE NOTES PAYABLE

As of July 31, 2003, the outstanding amount for all notes was $1,559,575, of which $396,575 was recorded as interest expense.

During the nine months ended July 31, 2003, the Company entered into seven new convertible promissory note agreements, totaling $287,000. The Company agreed to pay the principal and an amount equal up to 50% of the principal sum if the Company reaches certain milestones from the distribution of its motion picture (see Note 4). The notes may be converted at any time, in whole or in part, into fully paid and non-assessable shares of common stock at conversion prices ranging from $0.15 to $1.00. During the nine months ended July 31, 2003, twelve convertible promissory notes were converted to 775,941 shares of the Company's common stock, totaling $287,750, of which $89,250 represented accrued interest.

During the nine months ended July 31, 2003, four convertible notes, totaling $240,000, plus accrued interest of $156,000, were converted into four new convertible promissory note agreements with the principal amount of $396,000. During the nine months ended July 31, 2003, the Company repaid $36,000 of principal on these notes. The notes accrue interest at a rate of 1% per month. The notes are to be repaid the earlier of November 21, 2003, or upon the Company reaching certain milestones from the distribution of its motion picture.

Six of the above convertible notes that were entered into during the nine months ended July 31, 2003 are convertible into common stock at conversion rates lower than the market price at the issuance of the convertible notes. Therefore, as of July 31, 2003, the value of such beneficial conversion feature was $68,766 and such amount was charged to financing costs during the nine months ended July 31, 2003.

NOTE 7 - NOTES PAYABLE

On November 4, 2002, the Company repaid $200,000 under a promissory note agreement entered into on October 29, 2002.

In June 2000, the Company entered into five long-term credit facilities, pursuant to which it borrowed $750,000. The Company repaid $500,000 of these borrowings during fiscal 2001. The remaining principal and interest at 6% per year was originally due June 29, 2003, but has been extended to June 29, 2004.

NOTE 8 - PREFERRED STOCK

REDEEMABLE SERIES B PREFERRED STOCK

On April 10, 2002, the Company amended its Articles of Incorporation and designated 4,000 of its authorized preferred stock as a Series B Preferred Stock, par value $.01 per share, with a liquidation preference of $1,000 per share.

NOTE 8 - PREFERRED STOCK (CONTINUED)

REDEEMABLE SERIES B PREFERRED STOCK (CONTINUED)

The Series B Preferred Stock is mandatorily redeemable by the Company at the liquidation preference as follows:

(i) Closing of financing transaction of at least $15 million.

(ii) Closing of a corporate transaction, (such as a merger, consolidation, reorganization, sale of significant assets, etc.) resulting in a change of control.

(iii) In the event the Company completes a financing, which is at least $3 million but less than $15 million, the Company must partially redeem the Series B Preferred Stock based on a fraction, the numerator of which is the net cash proceeds received by the Company, as a result of the financing transaction, and the denominator of which is $15 million.

(iv) The Company is obligated to redeem any outstanding Series B Preferred Stock at its liquidation preference, in eight equal quarterly payments, commencing on March 31, 2005 and ending on December 31, 2006.

Holders of Series B Preferred Stock are entitled to receive dividends if, as and when declared by the Company's Board of Directors in preference to the holders of its common stock and of any other stock ranking junior to the Series B Preferred Stock with respect to dividends.

The Company cannot declare or pay any dividend or make any distribution on its common stock unless a dividend or distribution of at least two times the dividend paid on the common stock is also paid on the Series B Preferred Stock. Holders of Series B Preferred Stock are also entitled to share pro-rata (based on the aggregate liquidation preference) in any dividend, redemption or other distribution made to any other series of the Company's preferred stock. The Series B Preferred Stock does not have voting rights, except as required by law.

Each share of the Series B Preferred Stock is convertible into shares of the Company's common stock by dividing $1,000 by the conversion price. The conversion price is the fair market value of the Company's common stock at the time of conversion, but not to be less than $.34 per share, subject to adjustment, and not to exceed $4.00 per share, subject to adjustment. Holders of the Series B Preferred Stock were granted piggy-back registration rights to register common shares reserved for such conversion.

NOTE 8 - PREFERRED STOCK (CONTINUED)

REDEEMABLE SERIES B PREFERRED STOCK (CONTINUED)

In April 2002, the Company issued 3,192 shares of its Series B Preferred Stock, with redemption and liquidation preference of $3,192,000, in connection with a development and license agreement discussed in Note 3. As of October 31, 2002 and July 31, 2003, there were 4,000 authorized shares Series B Preferred Stock and 3,192 shares issued and outstanding. Based on the redemption term, the Series B Preferred Stock is not included in stockholders' equity.

SERIES C, SERIES D, AND SERIES E CONVERTIBLE PREFERRED STOCK

On February 24, 2003 the Company amended its Articles of Incorporation and designated 100,000 shares of its authorized preferred stock as

Series C Preferred Stock, par value $0.01 per share. On May 16, 2003, the Company amended this designation and fixed the number of shares designated as Series C Preferred Stock as 57,894.201. On June 13, 2003 and June 27, 2003, the Company amended its Articles of Incorporation and designated 5,882.353 shares of its authorized preferred stock as Series D Preferred Stock, par value $0.01 per share and 25,000 shares of its authorized preferred stock as Series E Preferred Stock, par value $0.01 per share. All of the designated Series C Preferred Stock, Series D Preferred Stock and Series E Preferred Stock were issued in May and June 2003, to collateralize proposed loans to the Company of approximately $1,500,000, $400,000 and $500,000.

The shares are returnable to the Company upon demand in the event the proposed loans are not completed. As of September 12, 2003 the Company has not received any monies from the proposed loans.

The terms of the Series C, Series D and Series E Preferred Stock are substantially the same. None of the series is entitled to receive dividends or to vote, except as required by Utah law, and none of the series is subject to mandatory redemption. The aggregate liquidation preference of each series is equal to the unpaid balance of principal and interest on the proposed loan to be collateralized by the shares of such series. In the event of a default under such proposed loan, the Series C, Series D or Series E Preferred Stock, as applicable, can be converted into common stock of the Company to liquidate the unpaid balance of the loan and related interest.

NOTE 9 - STOCKHOLDERS' EQUITY

2003 CONSULTANT STOCK PLAN

On January 30, 2003, the Company adopted its 2003 Consultant Stock Plan to promote the interests of the Company, its affiliated entities and its stockholders by using investment interests in the Company to attract, retain and motivate certain outside consultants. The Company's employees, officers and directors are not eligible to receive awards under this plan. The maximum number of shares of common stock reserved and available for issuance under this plan is 6,000,000, subject to adjustment. The 2003 Consultant Stock Plan is administered by the Board of Directors. Stock and non-qualified stock options may be issued under this plan. The exercise price for each stock option is determined by the Board of Directors as of the date such stock option is granted. The Board of Directors may grant stock options under the plan that may be exercised for a period of up to ten years. As of July 31, 2003, 3,200,000 shares of stock and no options had been granted under this plan.

STOCK PURCHASE AGREEMENT

On April 15, 2003, the Company entered into a stock purchase agreement that agreed to sell up to 1,600,000 shares of the Company's common stock at $.145 per share. The shares sold pursuant to this agreement were sold pursuant to Regulation S of the Securities Act of 1933, as amended. As of July 31, 2003, 1,349,664 shares were sold under this agreement, resulting in total proceeds of $195,701.

SIGNIFICANT COMMON STOCK ISSUANCES DURING THE NINE MONTHS ENDED JULY 31, 2003

During the nine months ended July 31, 2003, the Company received $2,464,170 from the sale of 13,903,747 shares of common stock to investors.

During the nine months ended July 31, 2003, the Company issued $3,621,875 shares of its common stock, valued at $1,539,250, in connection with various consulting agreements. During the nine months ended July 31, 2003, $876,250 was charged to operations.

During the quarter ended January 31, 2003, the Company issued 88,710 shares of common stock to two officers of the Company in satisfaction of $55,000 of accrued compensation.

During the quarter ended January 31, 2003, 2.2 million shares of the Company's common stock previously issued to the former owners of New Wheel and former officers of the Company were returned to the Company, resulting in a non-cash gain of $1,474,000.

NOTE 9 - STOCKHOLDERS' EQUITY (CONTINUED)

STOCK OPTIONS

A summary of the Company's stock option activity and related information follows:

	In the Plan Stock Options	Weighted Average Exercise Price	Outside the Plan Stock Options	Exe
Outstanding - October 31, 2002	2,168,750	$ 1.29	4,192,500	
Options granted - 11/02 - 07/31/03:				
In the Plans	--	--	--	
Options granted - 11/02 - 07/31/03:				
Outside the Plans	--	--	1,540,000	
Options expired/cancelled:				
In the Plans	--	--	--	
Outside the Plans	--	--	(1,500,000)	

Outstanding - July 31, 2003	2,168,750	$ 1.29	4,232,500
Exercisable at July 31:			
2003	1,837,188	$ 1.22	2,800,833
2004	2,028,750	$ 1.32	3,330,834
2005	2,180,000	$ 1.31	4,219,167
2006	2,217,500	$ 1.30	4,232,500

The exercise price for options outstanding as of July 31, 2003 ranged from $0.31 to $4.40.

WARRANTS

On November 21, 2002, the Company granted a company warrants to purchase 100,000 shares of its common stock at an exercise price of $.25. The warrants vested immediately and expire on November 21, 2007. The fair value of stock warrants estimated on the date of grant using the Black-Scholes option pricing model is $0.37 per share, or $37,000, which was recorded as an operating expense during the nine months ended July 31, 2003

On February 13, 2003, the Company granted an individual warrants to purchase 500,000 shares of its common stock at an exercise price of $0.40. The warrants vested immediately and expire on February 13, 2005. The fair value of stock warrants estimated on the date of grant using the Black-Scholes option pricing model is $0.29 per share, or $173,919, which was recorded as an operating expense during the nine months ended July 31, 2003.

On February 3, 2003, warrants to purchase 100,000 shares of common stock were exercised on a cashless basis, for which the Company issued 40,476 shares of common stock.

NOTE 9 - STOCKHOLDERS' EQUITY (CONTINUED)

WARRANTS (CONTINUED)

On April 29, 2003, the Company granted a consulting firm warrants to purchase 1,000,000 shares of its common stock at an exercise price of $0.06. The warrants vested immediately and expire on May 3, 2006. In exchange for the issuance, the Company cancelled warrants to purchase 1,000,000 shares of its common stock, which were issued on July 30, 2002 at an exercise price of $0.75. The fair value of stock warrants of $243,461 was determined by using the Black-Scholes option pricing model and was recorded as an operating expense during the nine months ended July 31, 2003.

At July 31, 2003, the Company had outstanding warrants to purchase shares of common stock as follows:

Grant Date	Number of Shares	Exercise Price	Expiration Date
November 17, 2000	1,000,000	$ 6.00	November 17, 2003
November 17, 2000	88,000	Lesser of $6.00 or 50% of market ($.32 at 07/31/03)	November 17, 2003
March 12, 2001	67,586	5.10	March 12, 2004
March 12, 2001	87,357	4.02	March 12, 2004
June 14, 2001	50,000	2.50	June 14, 2006
June 14, 2001	25,000	5.00	June 14, 2006
June 14, 2001	25,000	10.00	June 14, 2006
November 5, 2001	200,000	.51	November 5, 2005
February 11, 2002	50,000	.75	February 11, 2004
February 11, 2002	50,000	1.25	February 11, 2004
February 11, 2002	100,000	1.75	February 11, 2004
February 11, 2002	100,000	2.25	February 11, 2004
February 13, 2003	500,000	.40	February 13, 2005
April 29, 2003	1,000,000	.06	May 3, 2006
	3,342,943	$0.06-$10.00	June 7, 2003 - October 1, 200
Exercisable at July 31, 2003	3,342,943		

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NEW VISUAL CORPORATION AND SUBSIDIARIES
(A DEVELOPMENT-STAGE COMPANY COMMENCING NOVEMBER 1, 1999)
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE 10 - COMMITMENTS AND CONTINGENCIES

NET LOSS PER SHARE

Securities that could potentially dilute basic earnings per share ("EPS") in the future that were not included in the computation of diluted EPS because to do so would have been anti-dilutive for the periods presented consist of the following:

Warrants to purchase common stock	3,342,943
Options to purchase common stock	6,401,250
Convertible notes payable and accrued interest	1,559,575
Series B Preferred stock ($0.34 at July 31, 2003)	9,388,235
Total as of July 31, 2003	20,692,003

Substantial issuance after July 31, 2003 through September 4, 2003:	
Sale of common stock for cash	613,766
Shares issued for services	28,000

NEW EMPLOYMENT AGREEMENTS

On December 2, 2002, the Company entered into a new three-year employment agreement with its Chief Marketing Officer replacing the executive's former employment agreement. Under the terms of the new agreement, the executive will become the Company's President and Chief Executive Officer and receive a base salary of $20,833 per month. In addition, the employment agreement provides that the executive will be entitled to receive an annual bonus at the discretion of the Board of Directors of the Company. Pursuant to the terms of the agreement, the executive was issued options to purchase 1,500,000 shares of the Company's common stock at $.64 per share. The options vest in twelve equal, quarterly installments starting March 1, 2003. The options expire on December 2, 2012.

NEW CONSULTING AGREEMENTS

In January 2003, the Company entered into a one-year consulting agreement for financial consulting services, pursuant to which the Company agreed to issue 1,000,000 shares of the Company's common stock to a principal of the consultant. The consulting agreement provides that either party may terminate the consulting services at any time upon thirty days' written notice to the other party. On February 4, 2003, 1,000,000 shares of the Company's common stock were issued with a value of $410,000, of which $205,000 was recorded as an operating expense for the nine months ended July 31, 2003.

NOTE 10 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

In January 2003, the Company entered into a one-year consulting agreement for financial consulting services, pursuant to which the Company agreed to issue to each of two principals of the consultant 1,000,000 shares of the Company's common stock. The consulting agreement provides that either party may terminate the consulting services at any time upon thirty days' written notice to the other party. On February 5, 2003, 2,000,000 shares of the Company's common stock were issued with a value of $820,000, of which $410,000 was recorded as an operating expense for the nine months ended July 31, 2003.

In April 2003, the Company entered into a one-year consulting agreement for financial consulting services, pursuant to which the Company agreed to issue 200,000 shares of the Company's common stock to a principal of the consultant. The consulting agreement provides that either party may terminate the consulting services at any time upon thirty days' written notice to the other party. On April 28, 2003, 200,000 shares of the Company's common stock were issued with a value of $64,000.

LEGAL DISPUTES

Gary Tomsic Dispute

In August 1998, the Company authorized the issuance to Gary Tomsic of an option to purchase 130,000 shares of the Company's common stock in satisfaction of monies owed to Tomsic for services rendered to the Company. Tomsic exercised the option in 1999 and 55,000 shares were delivered. A dispute arose between the parties concerning their respective obligations, but did not result in litigation. In December 2002, the Company and Tomsic entered into a settlement agreement and mutual release. In accordance with the settlement agreement, the Company paid $15,000 to Tomsic and issued to him 51,562 shares of common stock valued at $23,203 during the quarter ended January 31, 2003.

Brad Lundahl Dispute

On August 2, 2002, a lawsuit was filed in California Superior Court in Santa Clara County against New Visual Corporation and NV Technology, by Brad Lundahl (d/b/a Lundahl Engineering) alleging that the Company breached a contract for consulting services it entered into with Mr. Lundahl in July 2000, by failing to pay Mr. Lundahl for his services as provided under the agreement. The lawsuit sought to compel arbitration based upon a provision mandating arbitration contained in the contract in question. On February 10, 2003, the Company agreed to a settlement of litigation. The settlement called for payments to the plaintiff totaling $40,000. These payments were was made in the six months ending April 30, 2003, and end all claims associated with this matter.

NOTE 10 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

LEGAL DISPUTES (CONTINUED)

Douglas Furth Dispute

In September 2002, the Company entered into a consulting agreement with an individual, pursuant to which, among other things, the individual agreed to provide certain consulting services and the Company agreed to pay for these services by, among other things, issuing 200,000 shares of common stock. A dispute arose between the parties concerning their respective obligations, but did not result in litigation. In December 2002, the Company and the individual entered into a settlement agreement and mutual release. In accordance with the settlement agreement, the individual received 150,000 shares of common stock in three equal installments. The settlement agreement cancelled the consulting agreement and provided for additional shares to be issued in the event of any failure to perform by the Company.

NOTE 11 - SEGMENT INFORMATION

Summarized financial information concerning the Company's reportable segments is shown in the following table:

For the Nine Months Ended July 31, 2003:

	Telecommunication Business	Entertainment Business	Unallocable	Totals
Net Sales	$ --	$ --	$ --	$
Operating Loss	$ (123,750)	$ --	$(3,130,388)	$(3,254,1
Depreciation and Amortization	$ 268,379	$ 10,397	$ 1,272	$ 280,0
Total Identifiable Assets	$ 5,765,459	$ 2,319,995	$ 93,162	$ 8,178,6

For the Nine Months Ended July 31, 2002:

	Telecommunication Business	Entertainment Business	Unallocable Expenses	Totals
Net Sales	$ --	$ --	$ --	$
Operating Loss	$(1,400,019)	$ --	$(4,105,900)	$(5,505,9
Depreciation and Amortization	$ 872,202	$ 11,250	$ 39,525	$ 922,9
Total Identifiable Assets	$ 5,856,372	$ 2,197,076	$ 293,736	$ 8,347,1

NOTE 12 - SUBSEQUENT EVENTS

COMMON STOCK

As of September 4, 2003, the Company has received approximately $92,065 from the sale of 613,766 shares of common stock to investors.

The Company also received $60,000 upon the exercise of warrants to purchase 1,000,000 shares of common stock.

During August 2003, the Company issued 28,000 shares of common stock to four individuals valued at $10,360.

MOVIE RELEASE

On August 8, 2003 the Company's feature length film, STEP INTO LIQUID, was released by Artisan Entertainment, opening in 5 theaters in Hawaii, New York and Los Angeles. As of September 12, 2003 the film was showing in approximately 90 theaters across the United States.

SERIES F AND SERIES G CONVERTIBLE PREFERRED STOCK

On August 7, 2003 the Company amended its Articles of Incorporation and designated 10,297.118 shares of its authorized preferred stock as Series F Preferred Stock, par value $0.01 per share, and 10,297.118 shares of its authorized preferred stock as Series G Preferred Stock, par value $0.01 per share. All of the designated Series F Preferred Stock and Series G Preferred Stock were issued in August 2003, to collateralize proposed loans to the Company of approximately $1,000,000.

The terms of the Series F and Series G Preferred Stock are substantially the same. Neither series is entitled to receive dividends or to vote, except as required by Utah law, and neither series is subject to mandatory redemption. The aggregate liquidation preference of each series is equal to the unpaid balance of principal and interest on the proposed loan to be collateralized by the shares of such series. In the event of a default under such proposed loan, the Series F or Series G Preferred Stock, as applicable, can be converted into common stock of the Company to liquidate the unpaid balance of the loan and related interest.

CHANGE IN COMPANY'S NAME AND INCREASE IN AUTHORIZED SHARES OF COMMON STOCK

On August 25, 2003 the Annual Meeting of Shareholders of New Visual Corporation was held in Portland, Oregon. In connection with that meeting the shareholders voted to increase the number of authorized shares of common stock of the company from 100 million to 500 million. The shareholders also voted to amend the Articles of Incorporation to change the name of the company to Rim Semiconductor Company. Both of these changes will be effective upon the filing of Articles of Amendment with the office of the Secretary of State of Utah.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The following discussion should be read in conjunction with the condensed consolidated financial statements and related notes contained in this Quarterly Report on Form 10-Q.

RESULTS OF OPERATIONS

COMPARISON OF THE NINE MONTHS ENDED JULY 31, 2003 AND NINE MONTHS ENDED JULY 31, 2002

REVENUES. There were no revenues for the nine months ended July 31, 2003 or the nine months ended July 31, 2002.

OPERATING EXPENSES. Operating expenses included the compensatory element of stock issuances related to selling, general and administrative expenses, research and development expenses and selling, general and administrative expenses. Total operating expenses decreased to approximately $3,254,000 for the nine months ended July 31, 2003, from approximately $5,506,000 for the nine months ended July 31, 2002. The decrease primarily resulted from reductions in research and development expenses and selling, general and administrative expenses. Although research and development expenses decreased from approximately $1,400,000 for the nine months ended July 31, 2002 to approximately $71,000 for the nine months ended July 31, 2003, the Company also paid, during the nine months ended July 31, 2003, approximately $546,000 to Adaptive Networks, Inc. for development fees that had been previously accrued and, therefore, were not included in operating expenses. The decrease in selling, general and administrative expenses from approximately $2,505,000 for the nine months ended July 31, 2002 to approximately $1,523,000 for the nine months ended July 31, 2003 resulted principally from reductions in salary expenses, legal expenses and travel expenses.

OTHER EXPENSES. Other expenses included amortization of unearned financing costs, interest expense and a gain on the settlement of litigation. Total other expenses decreased from approximately $1,866,000 for the nine months ended July 31, 2002 to a gain of approximately $977,000 for the nine months ended July 31, 2003. A gain of approximately $1,474,000 was recorded during the nine months ended July 31, 2003 in connection with the settlement of litigation between the Company and Allan Blevins and Michael Shepperd, former officers of the Company. The gain resulted from the return to the Company and the cancellation of 2.2 million shares of common stock that had previously been issued to Messrs. Blevins and Shepperd. Interest expense decreased from approximately $1,005,000 for the nine months ended July 31, 2002 to approximately $236,000 for the nine months ended July 31, 2003. In the 2002 fiscal period the Company recognized interest expense related to the issuance of approximately $1,508,000 of convertible notes payable. Because the Company issued only $283,000 of convertible notes payable during the nine months ended July 31, 2003, interest expense was less during this period. Also, amortization of unearned financing costs decreased from approximately $861,000 for the nine months ended July 31, 2002 to approximately $261,000 for the nine months ended July 31, 2003 largely as a result of the reduction in the issuance of convertible notes payable from the nine months ended July 31, 2002 to the nine months ended July 31, 2003. Several of these convertible notes were convertible into common stock at a conversion rate lower than the market price at the time of issuance of the notes. As a result, there was an additional charge to amortization of unearned financing costs of approximately $766,000 for the nine months ended July 31, 2002.

NET LOSS. The Company's net loss was approximately $2,277,000, or $0.04 per common share, for the nine months ended July 31, 2003, a decrease from the net loss of approximately $7,372,000, or $0.19 per common share, for the nine months ended July 31, 2002.

COMPARISON OF THE THREE MONTHS ENDED JULY 31, 2003 AND THREE MONTHS ENDED JULY 31, 2002

REVENUES. There were no revenues for the three months ended July 31, 2003 or the three months ended July 31, 2002.

OPERATING EXPENSES. Operating expenses included the compensatory element of stock issuances related to selling, general and administrative expenses, research and development expenses and selling, general and administrative expenses. Total operating expenses decreased to approximately $860,000 for the three months ended July 31, 2003, from approximately $1,389,000 for the three months ended July 31, 2002. The decrease primarily resulted from reductions in research and development expenses and selling, general and administrative expenses. Although research and development expenses decreased from approximately $121,000 for the three months ended July 31, 2002 to $0.00 for the three months ended July 31, 2003, the Company also paid, during the three months ended July 31, 2003, approximately $105,000 to Adaptive Networks, Inc. for development fees that had been previously accrued and, therefore, were not included in operating expenses. The decrease in selling, general and administrative expenses from approximately $1,129,000 for the three months ended July 31, 2002 to approximately $533,000 for the three months ended July 31, 2003 resulted from decreases in legal fees, travel and marketing and promotion costs. Expenses related to the compensatory element of stock issuances related to selling, general and administrative expenses increased from approximately $139,000 for the three months ended July 31, 2002 to approximately $326,000 for the three months ended July 31, 2003.

OTHER EXPENSES. Other expenses included amortization of unearned financing costs and interest expense. Total other expenses decreased to approximately $163,000 for the three months ended July 31, 2003 from approximately $893,000 for the three months ended July 31, 2002. The decrease principally resulted from a decline in convertible notes payable transactions from approximately $614,000 for the three months ended July 31, 2002 to approximately $98,000 for the three months ended July 31, 2003. Because many of the convertible notes were convertible into common stock at a conversion rate lower than the market price at the time of issuance of the notes, there was an additional charge to amortization of unearned financing costs of approximately $404,000 for the three months ended July 31, 2002. In addition, interest expense associated with these convertible notes payable transactions for the three month ended July 31, 2003 amounted to approximately $307,000. Interest expense associated with the issuance of convertible notes payable for the three months ended July 31, 2003 amounted to approximately $44,000.

NET LOSS. The Company's net loss was approximately $1,022,000, or $0.02 per common share, for the three months ended July 31, 2003, a decrease from the net loss of approximately $2,283,000, or $0.05 per common share, for the three months ended July 31, 2002.

LIQUIDITY AND CAPITAL RESOURCES

Net cash used in operating activities was approximately $2,143,000 and $3,641,000 for the nine months ended July 31, 2003 and July 31, 2002, respectively. Cash balances totaled approximately $312,000 as of October 31, 2002 and $118,000 as of July 31, 2003.

Since November 1, 1999 operations have been financed principally through sales of common stock, the exercise of warrants to purchase common stock, loans, the issuance of convertible notes payable and notes payable. Net proceeds from financing activities amounted to approximately $2,545,000 for the nine months ended July 31, 2003, including sales of common stock net of offering costs of approximately $2,499,000 and the issuance of convertible notes payable of approximately $287,000. Notes payable and convertible notes payable balances of approximately $277,000 were repaid during the period. Net proceeds from financing activities amounted to approximately $4,391,000 for the nine months ended July 31, 2002, including sales of common stock net of offering costs of approximately $1,737,000, proceeds from the exercise of warrants of $728,000, proceeds from loans and convertible notes payable of approximately $2,008,000.

Stock was issued in payment of expenses amounting to approximately $1,659,000 and $1,601,000 for the nine-month periods ended July 31, 2003 and April 30, 2002, respectively.

In April 2000, the Company entered into a joint venture production agreement to produce "STEP INTO LIQUID," a feature length surfing adventure film for theatrical distribution. Under the agreement, the Company is providing the funding for the production in the amount of up to $2,250,000 and, in exchange, the Company will receive a 50% share in all net profits from worldwide distribution and merchandising, after receiving funds equal to the Company's initial investment of up to $2,250,000. As of July 31, 2003, the Company had funded approximately $2,122,000 of the production costs towards this project. Artisan Entertainment is distributing STEP INTO LIQUID within the US and Canada with a commitment for print and advertising support for the theatrical release as well as distribution fees, performance-driven minimum guarantees for both the theatrical and video/DVD releases, a modest cash advance and a 10 year license.

STEP INTO LIQUID opened in 5 theaters in Hawaii, New York and Los Angeles on August 8, 2003 and was playing in approximately 90 theaters across the United States at September 12, 2003. The first weekend's box office revenues are estimated at $135,985. The estimated cumulative total box office revenues for the film's first six weeks, generated by widening the release to more theaters, amounted to an estimated $2,800,000. Based on the performance of the first six weeks, management believes that the film will gross approximately $40 million worldwide in the next twelve to fourteen months from all sources of potential revenue. Under the joint venture production agreement, the Company's distribution agreement with Artisan Entertainment and pending and customary agreements with other distributors and merchandisers, management believes that the Company will realize approximately $7 million from these sources.

Research and development expenses totaled approximately $71,000 and $1,400,000 for the nine months ended July 31, 2003 and the nine months ended July 31, 2002, respectively. In addition, $546,000 in development fees were paid to Adaptive Networks, Inc. during the nine months ended July 31, 2003, which are being capitalized.

During the fiscal years ended October 31, 2001 and October 31, 2002 and during the nine months ended July 31, 2003 the Company issued convertible notes payable totaling approximately $2,697,000. The Company agreed to pay the principal and interest in an amount equal to 50% of the principal if certain milestones are reached from the distribution of STEP INTO LIQUID. The notes that remain outstanding are convertible at any time, in whole or in part, into shares of common stock at conversion prices ranging from $0.33 to $1.00 per share. As of July 31, 2003 the Company's liability associated with convertible notes payable that remained outstanding was $1,163,000. In May 2003, we exchanged several of our outstanding convertible notes due in May 2003 for new notes totaling $396,000. The new notes, which bear interest at 1% of the outstanding principal owed per month, replaced four notes with principal and interest owed totaling $360,000. The new notes are due on November 21, 2003, and are subject to prepayment in whole or in part upon the completion of a significant financing transaction or our receipt of proceeds from STEP INTO LIQUID. As of the date of this report, we have repaid $36,000 of these new notes.

In June 2000, we entered into five long-term credit facilities, pursuant to which we borrowed $750,000. We repaid $500,000 of these borrowings during fiscal 2001. The remaining principal and interest at 6% per year was originally due June 29, 2003, but has been extended to June 29, 2004.

In April 2002, we entered into a license and development agreement with Adaptive Networks, Inc. that included development services relating to our FPGA-based prototype. We agreed to pay Adaptive an aggregate of $1,559,000 for these services. As of July 31, 2003, the remaining balance due to Adaptive under the license and development agreement was $138,000.

In April 2002, in consideration of the grant of a technology license from Adaptive Networks, Inc., we assumed certain debt obligations of Adaptive to Zaiq Technologies, Inc. ("Zaiq"). We then issued 3,192 shares of Series B Preferred Stock, valued at $3,192,000, with a liquidation preference of $1,000 per share, and paid $250,000 in cash to Zaiq in satisfaction of the Zaiq debt. We must offer to redeem all of the Series B Preferred Stock if we close a corporate transaction resulting in a change of control or a financing transaction of at least $15 million. If we close a financing transaction of at least $3 million but less than $15 million, we must offer to redeem a portion of the Series B Preferred Stock based on a fraction, the numerator of which is the cash proceeds we receive in the financing transaction and the denominator of which is $15 million. We are also required to offer to redeem the outstanding Series B Preferred Stock in eight equal quarterly payments beginning March 31, 2005 and ending December 31, 2006.

In July 2002, the Company borrowed $500,000 from the Charles R. Cono Trust. These borrowings are unsecured and bear interest at 10% per annum. Principal and accrued interest are payable three days after written demand by the payee.

On December 2, 2002 a separation agreement was signed with Thomas Cooper, our former President and Chief Executive Officer. One of the terms of the agreement obligates the Company to pay Mr. Cooper $57,692 in accrued salary that was voluntarily deferred by Mr. Cooper during his employment. As of July 31, 2003, the amount outstanding to Mr. Cooper in connection with the separation agreement was $10,000.

For a period between August and December, 2002, the Company's management team temporarily deferred a portion of executive salaries in order to reduce monthly expenses. As of July 31, 2003, the remaining balance of these executive salary deferrals amounted to approximately $80,000.

Management believes funds on hand and available sources of financing will enable the Company to meet its liquidity needs for at least the next three months. However, funding for the Company's operations has become more difficult to secure and more expensive than in prior periods due to the current economic and stock market climate, the Company's recent stock price and market volatility, and general market conditions in the semiconductor and telecommunications industries. Management is presently taking steps to reduce monthly cash outlays through arrangements with vendors to accept longer payment terms and reductions of recurring expenses, when possible, including potential staff and management changes. However, additional cash must be raised in order to continue to meet liquidity needs and satisfy the Company's proposed business plan. Management is presently investigating potential financing transactions that it believes can provide additional cash for operations and lead to profitability in both the short and long-term. Management also intends to attempt to raise funds through private sales of common stock and borrowings. Although management believes these efforts will enable us to meet liquidity needs in the future, there can be no assurance that these efforts will be successful.

GOING CONCERN CONSIDERATION

We have continued losses in each of our years of operation, negative cash flow and liquidity problems. These conditions raise substantial doubt about our ability to continue as a going concern. The accompanying consolidated financial statements do not include any adjustments relating to the recoverability of reported assets or liabilities should we be unable to continue as a going concern.

We have been able to continue based upon our receipt of funds from the issuance of equity securities and borrowings, and by acquiring assets or paying expenses by issuing stock. Our continued existence is dependent upon our continued ability to raise funds through the issuance of our securities or borrowings, and our ability to acquire assets or satisfy liabilities by the issuance of stock. Management's plans in this regard are to obtain other debt and equity financing until profitable operation and positive cash flow are achieved and maintained. Although management believes, based on the fact that it raised approximately $13,052,000 through sales of common stock and $4,154,000 from borrowings from November 1, 1999 through July 31, 2003, that it will be able to secure suitable additional financing for the Company's operations, there can be no guarantee that such financing will continue to be available on reasonable terms, or at all.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements and related disclosures in conformity with generally accepted accounting principles in the United States of America requires management to make judgments, assumptions, and estimates that affect amounts reported in the consolidated financial statements and accompanying notes. Note 2 to the consolidated financial statements in our Annual Report on Form 10-K for the year ended October 31, 2002, describes the significant accounting policies and methods used in the preparation of the consolidated financial statements. Management bases its estimates on historical experience and various other assumptions believed to be reasonable. Although these estimates are based on management's best knowledge of current events and actions that may impact the Company in the future, actual results may differ from these estimates and assumptions. Our critical accounting policies are those that affect our financial statements materially and involve difficult, subjective or complex judgments by management. The following critical accounting policies are impacted significantly by judgments, assumptions and estimates used in the preparation of the consolidated financial statements.

PROJECT UNDER DEVELOPMENT. The Company capitalizes costs of production to investment in films. These costs are amortized to direct operating expenses in accordance with SOP-00-2. These costs are stated at the lower of unamortized film costs and fair value. These costs for an individual film are amortized in the proportion that current period actual revenues bear to management's estimates of the total revenue expected to be received from such film. As a result, if revenue estimates change with respect to a film, the Company may be required to write down all or a portion of the unamortized costs of such file. No assurance can be given that unfavorable changes to revenue estimates will not occur, which may result in significant write-downs affecting our results of operations and financial condition.

Revenue is driven by audience acceptance of a film, which represents a response not only to artistic merits but also to critics' reviews, marketing and the competitive market for entertainment, general economic conditions, and other intangible factors, all of which can change rapidly.

RESEARCH AND DEVELOPMENT. Research and development expenses relate to the design and development of new telecommunications products. Payments made to independent software developers under development agreements are capitalized to software development costs once technological feasibility is established or if the development costs have an alternative future use. Prior to establishing technological feasibility, software development costs are expensed to research and development costs and to cost of revenues subsequent to confirmation of technological feasibility. Internal development costs are capitalized to software development costs once technological feasibility is established. Technological feasibility is evaluated on a product-by-product basis.

Research and development expenses generally consist of salaries, related expenses for engineering personnel and third-party development costs.

STOCK-BASED COMPENSATION. The Company has elected to account for fixed award stock options and nonemployee directors' options under the provisions of APB No. 25, "Accounting for Stock Issued to Employees." As such, no compensation cost has been recorded in the financial statements relative to these options. The Company utilizes the Black-Scholes option pricing model to estimate the fair value of these options for disclosure purposes. Stock compensation issued to non-employees/directors is accounted for in accordance with SFAS No. 123 "Accounting for Stock-Based Compensation" ("SFAS 123"). In December 2002, the Financial Accounting Standards Board ("FASB") issued Statement of Accounting Standards No. 148, "Accounting for Stock-Based Compensation--Transition and Disclosure--an amendment of SFAS 123" ("SFAS 148"). This statement amends SFAS 123 to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, this statement amends the disclosure requirements of SFAS 123 to require disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. We adopted the annual disclosure provisions of SFAS 148 in our financial reports beginning with the year ended October 31, 2003 and the interim disclosure provisions for financial reports beginning with the quarter ended April 30, 2003. As our adoption of this standard involves disclosures only, it has not had a significant impact on our consolidated financial position, results of operations or cash flows.

RECENT ACCOUNTING PRONOUNCEMENTS

In January 2003, the FASB issued Financial Interpretation No. 46, "Consolidation of Variable Interest Entities" ("FIN 46"). FIN 46 addresses consolidation by business enterprises of variable interest entities. Under that interpretation, certain entities known as Variable Interest Entities ("VIEs") must be consolidated by the primary beneficiary of the entity. The primary beneficiary is generally defined as having the majority of the risks and rewards arising from the VIE. For VIEs in which a significant (but not majority) variable interest is held, certain disclosures are required. It applies immediately to variable interest entities created after January 31, 2003, and applies in the first year or interim period beginning after June 15, 2003 to variable interest entities in which an enterprise holds a variable interest that it acquired before February 1, 2003. We are currently assessing the impact the adoption of this interpretation will have on our consolidated financial position, results of operations or cash flows.

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In April 2003, FASB issued SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities." The Statement amends and clarifies accounting for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities under Statement 133. This Statement is effective for contracts entered into or modified after June 30, 2003, except as stated below and for hedging relationships designated after June 30, 2003. The guidance should be applied prospectively. The provision of this Statement that relate to Statement 133 Implementation Issues that have been effective for fiscal quarters that began prior to June 15, 2003 should continue to be applied in accordance with their respective effective dates. In addition, certain provision relating to forward purchases or sales of when-issued securities or other securities that do not yet exist, should be applied to existing contracts as well as new contracts entered into after June 30, 2003.

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity." SFAS No. 150 establishes standards for classification and measurement in the statement of financial position of certain financial instruments with characteristics of both liabilities and equity. It requires classification of a financial instrument that is within its scope as a liability (or an asset in some circumstances). SFAS No. 150 is effective for financial instruments entered into or modified after May 31, 2003 and, otherwise, is effective at the beginning of the first interim period beginning after June 15, 2003.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

There have been no material changes to the Company's market risk for the three months ended July 31, 2003. See the Company's Annual Report on Form 10-K for the fiscal year ended October 31, 2002 for additional discussions regarding quantitative and qualitative disclosures about market risk.

ITEM 4. CONTROLS AND PROCEDURES.

As indicated in the certifications contained in this report, the principal executive officer, principal financial officer and principal accounting officer of New Visual Corporation have evaluated the Company's disclosure controls and procedures as of July 31, 2003. Based on that evaluation, these officers have concluded that the Company's disclosure controls and procedures are effective for the purpose of ensuring that material information required to be in this quarterly report is made known to them by others on a timely basis. There have not been changes in the Company's internal controls or in other factors that could significantly affect these controls subsequent to the date of this evaluation.

PART II - OTHER INFORMATION

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS.

(c) During the three months ended July 31, 2003, the Company sold or issued unregistered securities as follows:

In May 2003, we:

- sold an aggregate of 756,166 shares of common stock to nine investors for total proceeds of $113,425; and
- sold 473,023 shares of common stock to a "non-US Person" (as such term is defined in Regulation S under the Securities Act of 1933) for total proceeds of $69,588;
- issued an aggregate of $396,000 principal amount of convertible promissory notes to four investors, which notes are convertible into shares of our common stock at a conversion price of $1.00 per share and which were issued in exchange for four convertible promissory notes issued in May

2002 with aggregate principal and interest due at the time of the exchange of $360,000; and

- issued 31,250 shares of common stock upon conversion of a convertible note held by one investor, resulting in the cancellation of $10,000 that would have been outstanding under the note.

In June 2003, we:

- sold an aggregate of 1,559,896 shares of common stock to thirteen investors for total proceeds of $229,985; and
- issued 15,625 shares of common stock upon conversion of a convertible note held by one investor, resulting in the cancellation of $5,000 that would have been outstanding under the note.

In July 2003, we:

- sold an aggregate of 1,447,400 shares of common stock to fifteen investors for total proceeds of $217,110;
- issued 55,000 shares of common stock upon conversion of a convertible note held by one investor, resulting in the cancellation of $16,500 in principal and interest that would have been outstanding under the note; and

- issued an aggregate of $98,000 principal amount in convertible promissory notes to two investors, which notes are convertible into our common stock at conversion prices of $0.33 and $0.60 per share.

Following the quarter ended July 31, 2003, we sold or issued the following unregistered securities:

In August 2003, we:

- sold an aggregate of 450,100 shares of common stock to seven investors for total proceeds of $67,515;
- issued 300,000 shares of common stock upon exercise of a warrant held by one person for which we received an aggregate exercise price of $18,000; and
- issued an aggregate of 28,000 shares of common stock to four persons for services valued at $10,360.

In September 2003, we:

- sold an aggregate of 163,666 shares of common stock to seven investors for total proceeds of $24,550; and
- issued 700,000 shares of common stock upon exercise of a warrant held by one person for which we received an aggregate exercise price of $42,000.

All of the securities issued in the transactions described above were issued without registration under the Securities Act in reliance upon the exemptions provided in Section 4(2) of the Securities Act or Regulation S under such Securities Act. Except with respect to securities sold under Regulation S, the recipients of securities in each such transaction acquired the securities for investment only and not with a view to or for sale in connection with any distribution thereof. Appropriate legends were affixed to the share certificates issued in all of the above transactions. The Company believes the recipients were all "accredited investors" within the meaning of Rule 501(a) of Regulation D under the Securities Act, or had such knowledge and experience in financial and business matters as to be able to evaluate the merits and risks of an investment in its common stock. All recipients had adequate access, through their relationships with the Company and its officers and directors, to information about the Company. None of the transactions described above involved general solicitation or advertising.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K.

(a) Exhibits:

4.1 Certificate of Amendment to Certificate of Designation of Series C Convertible Preferred Stock (incorporated by reference to Exhibit 4.2 of the Company's Report on Form 10-Q for the period ended April 30, 2003 (the "April 2003 10-Q")).

4.2 Certificate of Designation of Series D Convertible Preferred Stock (incorporated by reference to Exhibit 4.4 of the April 2003 10-Q).

4.3 Certificate of Designation of Series E Convertible Preferred Stock.*

4.4 Certificate of Designation of Series F Convertible Preferred Stock.*

4.5 Certificate of Designation of Series G Convertible Preferred Stock.*

4.6 Amendment to Rights Agreement between New Visual Corporation and Wachovia Bank, N.A., dated effective May 18, 2003 (incorporated by reference to Exhibit 4.3 of the April 2003 10-Q).

4.7 Second Amendment to Rights Agreement between New Visual Corporation and Wachovia Bank, N.A., dated effective June 18, 2003.*

10.1 Amended and Restated Convertible Promissory Note dated May 21, 2003 by New Visual Corporation in favor of John Marsden.*

10.2 Amended and Restated Convertible Promissory Note dated May 21, 2003 by New Visual Corporation in favor of Randy Arnett.*

10.3 Amended and Restated Convertible Promissory Note dated May 21, 2003 by New Visual Corporation in favor of ARJO Enterprises.*

10.4 Amended and Restated Convertible Promissory Note dated May 21, 2003 by New Visual Corporation in favor of Tim Eide.*

10.5 Convertible Promissory Note dated July 23, 2003 by New Visual Corporation in favor of Johnnie R. Keith.*

31.1 Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*

31.2 Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*

32 Certification of Chief Executive Officer and Chief 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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* Filed herewith.

(b) Reports on Form 8-K:

None.

SIGNATURES

Pursuant to the requirements 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.

NEW VISUAL CORPORATION
(Registrant)

Dated: September 15, 2003 By: /s/ BRAD KETCH
BRAD KETCH
President and Chief Executive Officer
(PRINCIPAL EXECUTIVE OFFICER)

Dated: September 15, 2003 By: /s/ THOMAS J. SWEENEY
THOMAS J. SWEENEY
Chief Financial Officer
(PRINCIPAL FINANCIAL AND ACCOUNTING OFFICER)

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