NEW VISUAL CORP
Form 10QSB
March 16, 2004

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

FORM 10-QSB

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

FOR THE QUARTERLY PERIOD ENDED JANUARY 31, 2004

COMMISSION FILE NUMBER 0-21785

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

UTAH (State or other jurisdiction of incorporation or organization)	95-4545704 (I.R.S. employer identification no.)
5920 FRIARS ROAD, SUITE 104 SAN DIEGO, CALIFORNIA 92108 (Address of principal executive offices, including zip code)	(619) 692-0333 (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 [ ]

The number of shares of the issuer's Common Stock, par value $.001 per share, outstanding as of March 16, 2004, was 78,404,866.

PART I - FINANCIAL INFORMATION

ITEM I - FINANCIAL STATEMENTS

FORM 10-QSB

NEW VISUAL CORPORATION

JANUARY 31, 2004

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NEW VISUAL CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEET
(Unaudited)

	January 31, 2004
ASSETS	
Current Assets:	
Cash	$ 123,673
Other current assets	4,919
Total Current Assets	128,592
Property and equipment - net of accumulated depreciation of $424,868	36,853
Technology license and capitalized software development fee	5,751,000
Film in distribution - net	2,070,818
Deferred financing costs - net	200,115
Other assets	13,139

Total Assets	$ 8,200,517

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities:	
Convertible notes payable	$ 873,000
Convertible debenture, less debt discount of $972,222	27,778
Notes payable	740,311
Accounts payable and accrued expenses	1,437,475
Total Current Liabilities	3,078,564
Redeemable Series B preferred stock	3,192,000
Total Liabilities	6,270,564
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; 500,000,000 shares authorized; 77,454,185 issued and outstanding	77,455
Additional paid-in capital	53,640,961
Unearned financing fees	(10,449)
Unearned compensation	(661,000)
Accumulated deficit	(51,117,014)
Total Stockholders' Equity	1,929,953
Total Liabilities and Stockholders' Equity	$ 8,200,517

See notes to condensed consolidated financial statements.

NEW VISUAL CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	For the Three Months Ended January 31,	
	2004	2003
REVENUES	$ 140,643	$ --

OPERATING EXPENSES:		
Cost of sales	71,394	--
Research and development	10,000	40,000
Compensatory element of stock issuances for selling, general and administrative expenses	749,581	605,155
Selling, general and administrative expenses	505,103	498,728
TOTAL OPERATING EXPENSES	1,336,078	1,143,883
OPERATING LOSS	(1,195,435)	(1,143,883)
OTHER (INCOME) EXPENSES:		
Interest expense	147,208	61,391
Non-cash gain - litigation settlement	--	(1,474,000)
Amortization of unearned financing costs	89,484	93,492
TOTAL OTHER (INCOME) EXPENSES	236,692	(1,319,117)
NET (LOSS) INCOME	$ (1,432,127)	$ 175,234
NET (LOSS) INCOME PER COMMON SHARE:		
Basic	$ (.02)	$ .00
Diluted	$ (.02)	$ .00
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING		
Basic	75,861,470	41,652,310
Diluted	75,861,470	51,810,248

See notes to condensed consolidated financial statements.

NEW VISUAL CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' DEFICIENCY
(UNAUDITED)
FOR THE THREE MONTHS ENDED JANUARY 31, 2004

	Common Stock		Additional Paid-In Capital
	Shares	Amount	
Balance - November 1, 2003	70,676,682	$ 70,677	$ 51,131,622

Issuance of common stock for cash ($.15 to $.20 per share)	1,192,501	1,193	223,308
Issuance of common stock for extension of promissory notes and interest ($.24 to $.25 per share)	280,003	280	67,987
Issuance of common stock in payment of deferred payroll	440,000	440	109,560
Issuance of common stock for compensation	1,049,999	1,050	244,949
Issuance of common stock under consulting agreements ($.23 to $.25 per share)	3,800,000	3,800	756,200
Issuance of common stock for services	15,000	15	3,735
Stock offering costs	--	--	(5,725)
Value assigned to warrants issued to purchasers of convertible debentures	--	--	422,741
Value assigned to beneficial conversion	--	--	577,259
Value assigned to warrants issued for extension of convertible notes	--	--	15,992
Value assigned to warrants issued to placement agent	--	--	93,333
Amortization of unearned compensation expense			
Amortization of unearned financing costs	--	--	--
Net loss	--	--	--
Balance - January 31, 2004	77,454,185	77,455	53,640,961

See notes to condensed consolidated financial statements.

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NEW VISUAL CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' DEFICIENCY
(UNAUDITED)
FOR THE THREE MONTHS ENDED JANUARY 31, 2004

	Unearned Financing Costs	Unearned Compensation	Accumulated Deficit	Total Stockholders' Equity
Balance - November 1, 2003	$ (15,674)	$ (404,582)	$(49,684,887)	$ 1,097,156
Issuance of common stock for cash ($.15 to $.20 per stock)	--	--	--	224,501
Issuance of common stock for extension of promissory notes and interest ($.24 to $.25 per share)	(68,267)	--	--	--
Issuance of common stock in payment of deferred payroll	--	--	--	110,000

Issuance of common stock for compensation	--	(245,999)	--	--
Issuance of common stock under consulting agreements ($.23 to $.25 per share)	--	(760,000)	--	--
Issuance of common stock for services	--	--	--	3,750
Stock offering costs	--	--	--	(5,725)
Value assigned to warrants issued to purchasers of convertible debentures	422,741	--	--	422,741
Value assigned to benficial conversion	--	--	--	577,259
Value assigned to warrants issued for extension of convertible notes	(15,992)	--	--	--
Value assigned to warrants issued to placement agent	--	--	--	93,333
Amortization of unearned compensation expense	--	749,581	--	749,581
Amortization of unearned financing costs	89,484	--	--	89,484
Net loss	--	--	(1,262,127)	(1,432,127)
Balance - January 31, 2004	$ (10,449)	$ (661,000)	$(51,117,014)	$ 1,929,953

See notes to condensed consolidated financial statements.

NEW VISUAL CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	For the Three Months Ended January 31	
	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (loss) income	$(1,432,127)	$ 175,234
Adjustments to reconcile net loss to net cash used in operating activities:		
Consulting fees and other compensatory elements of stock issuances	749,581	605,155
Unusual item - gain on litigation Settlement	--	(1,474,000)
Amortization of unearned financing Costs	89,484	93,492
Amortization of film in production Costs	71,394	--
Amortization of Debt discount on notes	27,778	--
Amortization of Deferred Financing Costs	5,718	--
Depreciation	4,448	8,304
Change in Assets (increase) decrease:		
Other current assets	96	(8,782)
Other assets	(103)	--

Change in Liabilities increase (decrease):		
Accounts payable and accrued expenses	(193,658)	(230,928)
NET CASH USED IN OPERATING ACTIVITIES	(677,389)	(831,525)
CASH USED IN INVESTING ACTIVITIES		
Acquisition of license	(95,000)	(191,000)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of common stock	224,501	908,406
Offering costs related to stock issuances	(5,725)	(79,402)
Proceeds from convertible debentures	1,000,000	--
Proceeds from convertible notes payable	--	85,000
Capitalized financing costs	(112,500)	--
Repayments of convertible debentures	(300,000)	--
Repayments of notes payable	--	(200,000)
Repayments of convertible notes payable	(230,000)	--
NET CASH PROVIDED BY FINANCING ACTIVITIES	576,276	714,004
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(196,113)	(308,521)
CASH AND CASH EQUIVALENTS - BEGINNING	319,786	311,577
CASH AND CASH EQUIVALENTS - ENDING	$ 123,673	$ 3,056

See notes to condensed consolidated financial statements.

NEW VISUAL CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the period for:		
Interest	$ 3,540	$ --
Income taxes	$ --	$ --
NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Common stock issued for extension of convertible notes payable	$ 15,992	$ --
Notes and interest satisfied by issuance of common stock	$ --	$ 198,000
Value assigned to warrants issued to placement agent	$ 93,333	$ --

Accounts payable and accrued expenses satisfied by issuance of common stock	$ 113,750	$ --
Value assigned to Beneficial conversion connection with 7% convertible debenture due December 31, 2006	$ 577,259	$ --
Value assigned to warrants issued to Purchasers of convertible debentures	$ 422,741	$ --

See notes to condensed consolidated financial statements.

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NEW VISUAL CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE 1- PRINCIPLES OF CONSOLIDATION AND BUSINESS AND CONTINUED OPERATIONS

The condensed consolidated financial statements include the accounts of New Visual Corporation and its wholly owned operating subsidiaries, NV Entertainment, Inc. (including its 50% owned subsidiary Top Secret Productions, LLC), 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. The Company consolidates its 50% owned subsidiary Top Secret Productions, LLC due to the Company's control of management, board of directors and financial matters.

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the Unites States of America ("US GAAP"). In the opinion of management, the accompanying unaudited financial statements contain all adjustments, consisting only of those of a normal recurring nature, necessary for a fair presentation of the Company's financial position, results of operations and cash flows at the dates and for the periods indicated. These financial statements should be read in conjunction with the financial statements and notes related thereto, included in the Annual Report on Form 10-K for year ended October 31, 2003.

These results for the period ended January 31, 2004 are not necessarily indicative of the results to be expected for the full fiscal year. The preparation of the consolidated financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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.

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 new content 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. With the completion of the film "Step Into Liquid" and its revenue generation during the fourth quarter of fiscal 2003 the Company was no longer considered a development stage entity.

The Company operates in two business segments, the production of motion pictures, films and videos (the "Entertainment Segment") and development of new content telecommunications technologies (the "Telecommunication Segment"). The success of the Company's Entertainment Segment is dependent on future revenues from the film "Step Into Liquid." The success of the Telecommunications Segment is dependent on the Company's ability to successfully commercialize its semiconductor technology.

Through its subsidiary NV Entertainment the Company recorded operating revenues for its Entertainment Segment, but may continue to report operating losses for this segment. The Telecommunications Segment will have no operating revenues until successful commercialization of its developed technology, but will continue to incur substantial operating expenses, capitalized costs and operating losses.

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NEW VISUAL CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

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

Going Concern

The accompanying condensed consolidated financial statements have been prepared assuming that the Company will continue as a going-concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. However, for the three months ended January 31, 2004, the Company incurred a net operating loss of approximately $1,432,000 and had a working capital deficiency of $2,949,972. 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.

In December 2003, the Company completed a private placement of $1,000,000 of its three-year 7% Convertible Debentures (the "Debentures"). Following the repayment of the outstanding principal and accrued interest on short-term funding that was to become due in April 2004 and other offering related expenses, the Company received net proceeds of approximately $584,000. In addition the Company has signed commitments to place an additional $1 million of Debentures following such time, as the Securities and Exchange Commission declares the registration statement covering the common stock underlying the Debentures, which the Company filed on February 11, 2004, effective. See Note 6, "Convertible Debentures." No assurance can be given that the Company will in fact receive such proceeds within a reasonable time frame, or at all. The inability to obtain such or alternative financing will have a material adverse effect on the Company. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty and these adjustments may be material. The Company also raised $224,501 from the sale of its common stock, par value $0.001 per share (the "Common Stock").

The Company's ability to continue as a going concern is dependent upon obtaining additional financing. Management's plan in this regard is to obtain other debt and equity financing until profitable operation and positive cash flows are achieved and maintained. The Company currently has no financing commitments and no assurance can be given that the Company will be able to raise needed on funds on commercially acceptable terms. These 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.

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, disclosures 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Film In Distribution

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). The Company makes certain estimates and judgments of its future gross revenue to be received for each film based on information received by its distributors, historical results and management's knowledge of the industry. Revenue and cost forecasts are continually reviewed by management and revised when warranted by changing conditions. A change to the estimate of gross revenues for an individual film may result in an increase or decrease to the percentage of amortization of capitalized film costs relative to a previous period.

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) participation costs when a film is released and it begins to recognize revenue from the film. The Company had amortization costs of $71,394 and $0 for the three months ended January 31, 2004 and 2003, respectively.

Revenue Recognition

The Company recognizes film revenue from the distribution of its feature film and related products when earned and reasonably estimable in accordance with American Institute of Certified Public Accountants Statement of Position (SOP) 00-2 -- "Accounting by Producers or Distributors of Films." The following conditions must be met in order to recognize revenue in accordance with SOP 00-2:

- persuasive evidence of a sale or licensing arrangement with a customer exists;
- the film is complete and, in accordance with the terms of the arrangement, has been delivered or is available for immediate and unconditional delivery;
- the license period of the arrangement has begun and the customer can begin its exploitation, exhibition or sale;
- the arrangement fee is fixed or determinable; and
- collection of the arrangement fee is reasonably assured.

Under a rights Agreement with Artisan the Company's domestic distributor for its feature length film entitled "Step into Liquid", the Company shares with Artisan in the profits of STEP INTO LIQUID after Artisan recovers its marketing, distribution and other predefined costs and fees. The agreement provides for the payment of minimum guaranteed license fees, usually payable on delivery of the respective completed film, that are subject to further increase based on the actual distribution results in the respective territory. The Company recorded revenues of $140,643 and $0 for the three months ended January 31, 2004 and 2003, respectively.

NEW VISUAL CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED 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.

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 require 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.

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 three months ended January 31, 2004 and 2003 for its capitalized software development costs.

Net Income (Loss) Per Common Share

Basic loss per common share is computed based on weighted average shares outstanding and excludes any potential dilution. Diluted loss per share reflects the potential dilution from the exercise or conversion of all dilutive securities into common stock based on the average market price of common shares outstanding during the period. For the quarter ended January 31, 2004, no effect has been given to outstanding options, warrants or convertible debentures in the diluted computation, as their effect would be antidilutive.

NEW VISUAL CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Income (Loss) Per Common Share (Continued)

The calculation of net income per common share is as follows:

	For the Three Months Ended January 31	
	2004	2003
Net income (loss) available to common stockholders	$ (1,432,127)	$ 175,234

Average common shares outstanding - basic	75,861,470	41,652,310
Effect of dilutive securities:		
Stock options	--	559,649
Stock warrants	--	131,228
Convertible notes payable	--	2,212,516
Series B Preferred stock	--	7,254,545
Average common shares outstanding -diluted	75,861,470	51,810,248
Net income (loss) per common share - basic	$ (.02)	$ .00
Net income (loss) per common share - Diluted	$ (.02)	$ .00

For purposes of computing diluted net income per common share, weighted average common share equivalents do not include stock options with an exercise price that exceeds the average fair market value of the Company's common stock for the period (i.e., "out-of-the-money" options).

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Stock-Based Compensation (Continued)

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 adopted the increased disclosure requirements of SFAS No. 148 during the year ended October 31, 2003.

	Three Months Ended January 31, 2004	Three Months Ended January 31, 2003
Net (loss) income attributable to common stockholders, as reported	$ (1,432,127)	$ 175,234
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	80,000	--
Proforma net income (loss) attributable to common Stockholders	$ (1,512,127)	$ 175,234
Basic and Diluted Net Income (Loss) Attributable to Common Stockholders:		
As reported	$ (.02)	$ .00
Proforma	$ (.02)	$ .00

Impact of Recently Issued Accounting Standards

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. As a result of implementing SFAS No. 150 the Company has changed the classification of its Series B Convertible Preferred Stock to a long-term liability from previously being classified between the liability and equity section.

NEW VISUAL CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impact of Recently Issued Accounting Standards (Continued)

In January 2003, the FASB issued Interpretation Number 46, "Consolidation of Variable Interest Entities" ("FIN No. 46"). This interpretation of Accounting Research Bulletin ("ARB") No. 51, "Consolidated Financial Statements," provides guidance for identifying a controlling interest in a variable interest entity ("VIE") established by means other than voting interests. FIN No. 46 also requires consolidation of a VIE by an enterprise that holds such a controlling interest. In December 2003, the FASB completed its deliberations regarding the proposed modification to FIN No. 46 and issued Interpretation Number 46(R), "Consolidation of Variable Interest Entities - an Interpretation of ARB No. 51" ("FIN No. 46(R)"). The decisions reached included a deferral of the effective date and provisions for additional scope exceptions for certain types of variable interests. Application of FIN No. 46(R) is required in financial statements of public entities that have interests in VIEs or potential VIEs commonly referred to as special-purpose entities for periods ending after December 15, 2003. Application by public small business issuers' entities is required in all interim and annual financial statements for periods ending after December 15, 2004. The adoption of FIN No. 46(R) is not expected to have an impact on the Company's consolidated financial position, results of operations or cash flows.

NOTE 3 - FILM IN DISTRIBUTION

In April 2000, the Company entered into a joint venture production agreement to produce a feature length film ("Step Into Liquid") 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. As of January 31, 2004 the Company has funded a net of $2,335,101 for completion of the film. The film is currently in distribution. The Company has recognized revenues of $140,643 and $0 for the three months ended January 31, 2004 and 2003, respectively. The Company's management believes revenues from the film will more than adequate to cover the capitalized production costs. The Company had amortization costs of $71,394 and $0 for the three months ended January 31, 2004 and 2003, respectively, for the film. The total film production costs and related amounts capitalized are as follows:

	January 31, 2004
Released films	$ 2,335,101
Less: Cumulative amortization of film production costs	264,283
Total film production costs capitalized for released films	2,070,818
Films in production	--
Films in development or pre-production	--
Total Film Production Costs Capitalized	$ 2,070,818

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NEW VISUAL CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE 3 - FILM IN DISTRIBUTION (Continued)

Based on anticipated future revenues, amortization of the costs of the films in distribution are estimated to be:

For the years ended October 31,	Amount
2004 (9 months)	$ 1,690,095
2005	126,908
2006	101,526
2007	152,289
Total	$ 2,070,818

NOTE 4 - Deferred Financing Cost

Deferred financing cost consists of costs in connection with the sale of $1,000,000 of 7% convertible debentures as described in note 6.

Deferred financing cost	$205,833
Less : accumulated amortization	(5,718)
Deferred Financing Cost, net	$200,115

Amortization of deferred financing cost for the three months ended January 31, 2004 was $5,718.

NOTE 5 - CONVERTIBLE NOTES PAYABLE

The Company entered into several convertible promissory note agreements with various trusts and individuals, in which it agreed to pay the principal and an additional amount equal to 50% of the principal. The notes are due when the Company reaches certain milestones from the distribution of its motion picture (Note 6). The notes may be converted at any time, in whole or in part, into that number of fully paid and non-assessable shares of common stock at conversion prices ranging from $.33 to $1.00. These and the Company's other notes are summarized in the table below:

	At January 31, 2004
Note payable (1)	$ 200,000
Notes payable (ten notes) (2)	483,000
Note payable, 9% interest (3)	10,000
Notes payable (four notes), 12% interest (4)	180,000

Total	$ 873,000
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(1) Due when receipts received by the Company from the joint venture exceed $375,000.
(2) Due when receipts received by the Company from the joint venture exceed $2,250,000.
(3) Due when receipts received by the Company from the joint venture exceed $750,000.
(4) Notes had an original due date of November 21, 2003. The note holders extended the due date until January 7, 2004 in exchange for 160,000 shares of common stock. In January 2004 the Company paid $180,000 of principal payments and issued 120,003 of shares of common stock and further extended the notes until the next round of financing is completed. In addition the Company granted warrants to purchase 120,003 shares of common stock (see note 7)

NOTE 6 - 7% CONVERTIBLE DEBENTURES DUE DECEMBER 31,2006

In December 2003, the Company completed a private placement to certain private and institutional investors of $1 million in principal amount of its three year 7% Convertible Debentures (the "Debentures") and signed commitments to place an additional $1 million of such Debentures (the "Additional Debentures") when the Company's registration statement covering the Common Stock underlying the debentures, filed on February 11, 2004, is declared effective by the Securities and Exchange Commission. In connection with the issuance of the Debentures, the Company issued three-year warrants to purchase up to 6,666,667 shares of the Company's Common Stock and upon, issuance of the Additional Debentures following the effectiveness of the Registration Statement, will issue three-year warrants for an additional 6,666,667 shares of Common Stock, in each case at a per share exercise price of $0.25, subject to cashless exercise provisions.

The holders of the debentures can convert their debt into shares of the Company's common stock at $.15 per share subject to certain dilution adjustments.

Accrued interest under the debentures may be paid in cash or common stock. In the event of an uncured default, as defined, or a non-permitted sale of securities, the holders of the debenture can require the Company to redeem their debentures. Providing that the certain conditions are met, the debentures automatically convert into common shares on December 31, 2006. In addition, under certain circumstances, the Company can require the conversion of the debentures before December 31, 2006.

The gross proceeds of the $1,000,000 in December of 2003 were allocated 57.73% or $577,259 to the debenture and 42.27% or 422,741 to the warrants. The conversion price of the debentures was below the market price of the Company's common stock at December 31, 2003, which resulted in a beneficial conversion feature relating to the first $1,000,000 of $577,259. In Accordance with EITF 00-27 the amount allocated to the beneficial conversion feature was limited to the net proceeds of the offering less the value allocated to the warrants issued to the purchasers.

The amount allocated to the warrants of $422,741 and the amount of the beneficial conversion feature of $577,259 were both recorded as a debt discount and are being charge to interest expenses over the term of the debentures.

In connection with this private placement, the Company issued to the placement agent warrants to purchase 666,667 shares of the Company's Common Stock valued at $93,333 and incurred $112,500 of other debt issuance costs. Such amount was recorded as deferred financing costs and is being charged to interest expense over the term of the loan. The warrants expire on December 31, 2008 and are exercisable at $.15 per share. Upon the issuance of the Additional Debentures, the Company is obligated to issue to the placement agent warrants for an additional 666,667 shares of the Company's Common Stock.

In addition, the Company's board of directors authorized the issuance of 666,666 shares of the Company's common stock valued at $153,333 of which 50% is to be issued to the Company's Chairman of the Board and 50% to the Company's Chief Executive Officer in consideration of their collective effects in the closing of the debenture agreement dated December 31, 2003. Such shares have not been issued as of March 15, 2004. The value of such shares was charged to operations during the quarter ended January 31, 2004.

The Company paid in full ($300,000 plus $3,540 of accrued interest) the 7% convertible debenture due April 30, 2004 out of the proceeds it received from the above December 31, 2003 private placement.

NOTE 7 - STOCKHOLDERS' EQUITY

Common Stock Issuances During the Three Months Ended January 31, 2004:

During the three months ended January 31, 2004 the Company:

- Issued 280,003 shares of common stock for consideration for the extension of the due date of certain convertible notes payable, valued at $68,267;
- Issued 440,000 shares of common stock for deferred compensation of $110,000 to two officers;
- Issued 1,049,999 shares of common stock for compensation to two officers, valued at $245,999;
- Issued 3,800,000 shares of common stock for consulting services, valued at $760,000; and
- Issued 15,000 shares to a vendor for services, valued at $3,750.
- Issued 1,192,501 shares to varies investors for cash proceeds of $224,501

Warrants Granted

On December 31, 2003 the Company granted a warrant to purchase 6,666,667 shares of its common stock at an exercise price of $.25 in connection with the placement of $1,000,000 7% convertible debentures (see note 6).

On December 31, 2003 the Company granted a warrant to purchase 666,667 shares of its common stock at an exercise price of $.15 to the placement agent in connection with the placement of $1,000,000 7% convertible debentures. The fair value of the stock warrants estimated on the date of grant using the Black-Scholes option pricing model is $.14 per share or $93,333 (see note 6).

The Company granted to four convertible note holders warrants to purchase 120,003 shares of its common stock at an exercise price of $.25 in connection with the extension of the notes due date. The fair value of the stock warrants estimated on the date of grant using the Black-Scholes option pricing model is $.13 per share or $15,992.

NEW VISUAL CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE 8 - 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	9,308,276
Options to purchase common stock	6,381,250
Convertible notes payable and accrued interest	2,370,053
7% convertible debenture due December 31, 2006	6,666,667
Series B Preferred stock (based on a floor conversion price of $.34 at January 31, 2004)	9,388,235
Total as of January 31, 2004	34,114,481
Substantial issuance after January 31, 2004 through March 16, 2004:	
Common Stock issuable upon the effectiveness of registration statement and conversion of $1 million convertible note and warrants	14,000,001
Sale of common stock for cash	833,334
Shares issued for services	29,455
Shares issued for accrued payroll	87,892

NEW VISUAL CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE 8 - COMMITMENTS AND CONTINGENCIES (Continued)

New Employment Agreements

In December 2003, the Company entered into an employment agreement with Mr. Cruckshank to serve as its Chief Financial Officer. Under the Agreement, Mr. Cruckshank received a 50,000 share stock grant upon employment and will receive $700 in cash and $480 per day in common stock for actual days worked. Mr. Cruckshank is also eligible for quarter stock grants based upon completion of certain agreed upon objectives. This agreement commenced December 8, 2003 and is cancelable immediately for "cause," with 15 days notice without "cause," and with 30 days notice if he leaves the Company for "good reason," each as defined in the agreement. In the event cancellation is without "cause" or for "good reason," after April 8, 2004 until December 8, 2004, Mr. Cruckshank will receive two months severance based upon base pay and from December 8, 2004 and thereafter six months severance based on base pay. On February 17, 2004, Mr. Cruckshank notified the Company that he would be resigning effective March 15, 2004.

Resignation of Vice President and Corporate Secretary

Mr. Wilson resigned as Vice President and Secretary and from the Company's board of directors effective December 31, 2003.

Consulting Agreements

During the quarter ended January 31, 2004, the Company entered into three consulting agreements for business development services. The Company agreed in the aggregate to issue 3,800,000 shares of the Company's common stock valued at $760,000 of which $115,000 was charged to operations during the three months ended January 31, 2004.

NOTE 9 - SEGMENT INFORMATION

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

For the Three Months Ended January 31, 2004:

	Tele-communication Business	Entertainment Business	Unallocable	Totals
Net Sales	$ --	$ 140,643	$ --	$ 140,643
Operating (Loss) Income	$ (80,997)	$ 927	$(1,115,365)	$(1,195,435)
Depreciation	$ 1,159	$ 3,289	$ --	$ 4,448

Total Identifiable Assets	$ 5,960,386	$ 2,107,429	$ 132,702	$ 8,200,517

NEW VISUAL CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE 9 - SEGMENT INFORMATION (Continued)

For the Three Months Ended January 31, 2003:

Net Sales	$ --	$ --	$ --	$ --
Operating Loss	$ (40,000)	$ --	$(1,103,883)	$(1,143,883)
Depreciation	$ 84,164	$ 3,062	$ 1,145	$ 88,371
Total Identifiable Assets at October 31, 2003	$ 5,761,429	$ 2,181,161	$ 328,760	$ 8,272,350

NOTE 10 - SUBSEQUENT EVENTS

Common Stock

The Company had received approximately $125,000 for the issuance of 833,334 shares of common stock to investors. Additionally, the Company issued 87,892 shares of common stock for compensation valued at $20,539 and 29,455 shares of common stock for services valued at $6,782.

Resignation of Officer

On February 17, 2004 the Company's Chief Financial Officer notified the Company that he would be resigning effective March 15, 2004.

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

You should read the following discussion in conjunction with our financial statements and the notes thereto included elsewhere herein. All statements in this Form 10-QSB related to New Visual Corporation and Subsidiaries ongoing financial operations and expected future results constitute forward-looking statements. The actual results may differ materially from those anticipated or expressed in such statements.

OVERVIEW

New Visual Corporation ("New Visual" or the "Company") is developing advanced transmission technology designed to enable data to be transmitted across copper wire at speeds and over distances that exceed those offered by existing forms of broadband technologies, such as digital subscriber lines (collectively, the "Semiconductor Technologies"). The Semiconductor Technologies are designed to dramatically increase the capacity of the copper telephone network, enabling telephone companies to leverage their existing copper wiring infrastructure and provide enhanced video, data and voice services over the existing copper telecommunications infrastructure. The Company conducts the Semiconductor Technologies activities through our wholly owned subsidiary NV Technology, Inc., a Delaware corporation ("NV Technology").

In April 2000, our wholly owned subsidiary, NV Entertainment, Inc. a Delaware company ("NV Entertainment") entered into a joint venture production agreement to produce "STEP INTO LIQUID", a feature length surfing documentary for theatrical distribution (the "Film"). NV Entertainment is a fifty-percent owner of Top Secret Productions, LLC, the producer of the Film. The Film opened in Hawaii, New York and Los Angeles on August 8, 2003 and played in more than 100 theaters across the United States during its 5-month theatrical run. With the completion of the film "Step Into Liquid" and its revenue generation during the fourth quarter of fiscal 2003 we are no longer considered a development stage entity. Our Semiconductor Technologies have generated no revenues to date.

The three months ended January 31, 2004 was a period used to stabilize the business and continue the search for the financing needed to commercialize the Company's technologies.

FILM. The Film has completed its domestic theater run grossing approximately $3.7 million in box office revenues and netting the Company's joint venture approximately $200,000 in revenues. The remaining Film revenues are licensing and foreign distribution guarantee fees. The Film is currently being distributed to foreign markets. The Company anticipates revenues in fiscal 2004 will exceed fiscal 2003 revenues as we anticipate additional foreign revenues, television rights and DVD sales. The DVD is scheduled for release in the United States in April 2004. After 2004, the Company expects that revenues from the film will decline. All references henceforth to our business relating to the Film will sometimes be referred to in this report as the "Entertainment Business."

SEMICONDUCTOR TECHNOLOGIES. We continued development of our Semiconductor Technologies during fiscal 2003 and are moving closer to having a semiconductor chip available. Currently, we estimate that we will need to raise, in addition to the $1 million in principal amount of our Convertible Debentures that we expect to sell following the effectiveness of the registration statement filed in February 2004, an additional $3 million to $4 million in order to complete the design and commercialization of the Semiconductor Technologies, produce a semiconductor chip and market the chip. We currently have no commitments for the additional amounts and no assurance can be given that we will be able to raise these amounts on commercially acceptable terms.

RESULTS OF OPERATIONS

COMPARISON OF THE THREE MONTHS ENDED JANUARY 31, 2004 AND THE THREE MONTHS ENDED JANUARY 31, 2003

REVENUES.

Revenues for the quarter ended January 31, 2004 of $140,643 were from the guarantee fees from foreign distribution of the Film.

OPERATING EXPENSES.

Operating expenses increased $192,000 to $1,336,000 primarily as a result of increased salaries ($200,000) and higher rent ($59,000). (The Company accrued for the net cost of closing the San Diego office in the quarter).

OTHER EXPENSES.

The quarter ended January 31, 2003 included a gain on litigation settlement of $1,474,000. Excluding this settlement, other expenses increased $82,000 as the result of lower amortization of unearned financing fees ($4,000) offset by higher interest expense ($86,000).

NET INCOME (LOSS)

The Company generated net income for the quarter ended January 31, 2003 as a result of the litigation settlement of $1,474,000, discussed above. Excluding the litigation settlement the Company lost $1,299,000 compared to a loss for the quarter ended January 31, 2004 of $1,432,000.

LIQUIDITY AND CAPITAL RESOURCES

Net cash used in operating activities was approximately $677,000 for the three months ended January 31, 2004 and $831,000 for the three months ended January 31, 2003. Cash balances totaled $124,000 as of January 31, 2004 and $320,000 as of October 31, 2003.

Since November 1, 1999, operations have been financed principally through sales of Common Stock, the exercise of warrants and options to purchase common stock, and the issuance of convertible notes payable and notes payable. Net proceeds from financing activities amounted to approximately $576,000 for the three months ended January 31, 2004, including sales of common stock amounting to $224,501 and proceeds from convertible debentures amounting to $1,000,000. The Company also repaid $530,000 of debt during the first quarter of fiscal 2004 and incurred approximately $6,000 in offering costs related to stock issuances. Net proceeds from financing activities amounted to $714,004 for the three months ended January 31, 2003. The Company also incurred $112,500 of capitalized financing costs related to the $1,000,000 convertible debenture

Stock was issued in the payment of selling, general and administrative expenses amounting to approximately $596,000 for the three months ended January 31, 2004 and approximately $605,000 for the three months ended January 31, 2003.

Research and development expenses totaled $10,000 for the three months ended January 31, 2004 and $40,000 for the three months ended January 31, 2003.

In December 2003, the Company completed a private placement to certain private and institutional investors of $1 million in principal amount of its three year 7% Convertible Debentures (the "Debentures") and signed commitments to place an additional $1 million of such Debentures (the "Additional Debentures") when the Company's registration statement (the "Registration Statement") covering the Common Stock underlying the debentures, filed on February 11, 2004, is declared effective by the Securities and Exchange Commission. In connection with the issuance of the Debentures, the Company issued three-year warrants to purchase up to 6,666,667 shares of the Company's Common Stock and upon, issuance of the Additional Debentures following the effectiveness of the Registration Statement, will issue warrants for an additional 6,666,667 shares of Common Stock, in each case at a per share exercise price of $0.25 (the "Warrants"); provided that the exercise period may be reduced under certain conditions (primarily relating to the effectiveness of the Registration Statement and the closing bid price of the Common Stock exceeding $1.00 for each of 20 consecutive trading days). See Note 6, "Convertible Debentures." The Investors are obligated to purchase the Additional Debentures within five days after the effectiveness of the Registration Statement. The Company received net proceeds of $584,000(after deducting approximately $416,000 in respect of the repayment of the principal and accrued interest on the Convertible Debenture due in April 2004 and offering related fees and commissions).

Assuming that the net proceeds of approximately $900,000 of the Additional Debentures that the Company expects to receive following effectiveness of the Registration Statement are in fact received in the second quarter of 2004 and we receive projected Film proceeds, management believes that it will be able to maintain operations through October 2004. If, however, the proceeds of the Additional Debentures are not received within the second quarter 2004, the Company will need to raise funds on an immediate basis in order to maintain operations as presently conducted through the second quarter of 2004. Thereafter, we will need to raise additional capital to realize our business plans. While the Company is actively seeking to raise additional capital, except for the agreement of the investors to purchase Additional Debentures following the effectiveness of the Registration Statement, the Company has no commitments for any such financing, and there can be no assurance that the proceeds of the Additional Debentures will in fact be received or that additional capital will be available to us on commercially acceptable terms. 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. The inability to obtain such financing will have a material adverse effect on our business, its operations and future business prospects. It is also anticipated that any successful financing will have a significant dilutive effect on existing stockholders.

GOING CONCERN CONSIDERATION

The Company has incurred losses in each of its years of operation, negative cash flow and liquidity problems. These conditions raise substantial doubt about the Company's 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 the Company be unable to continue as a going concern.

The Company has 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. The Company's continued existence is dependent upon its continued ability to raise funds through the issuance of its securities or borrowings, and its 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 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 commercially acceptable terms, or at all. In addition, management continues to take 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. We continue to curtail expenses in many areas in an effort to control costs. During year ended October

31, 2003, we cut overhead cost approximately $100,000 per month and subsequent to year-end has cut an additional $50,000 per month. These cost cutting measures combined with our focus on the Semiconductor Technologies will allow us to more carefully use monies raised to complete the design and commercialization of the chipset design for our Semiconductor Technologies.

IMPACT OF RECENTLY ISSUED ACCOUNTING STANDARDS

In January 2003, the FASB issued Interpretation Number 46, "Consolidation of Variable Interest Entities" ("FIN No. 46"). This interpretation of Accounting Research Bulletin ("ARB") No. 51, "Consolidated Financial Statements," provides guidance for identifying a controlling interest in a variable interest entity ("VIE") established by means other than voting interests. FIN No. 46 also requires consolidation of a VIE by an enterprise that holds such a controlling interest. In December 2003, the FASB completed its deliberations regarding the proposed modification to FIN No. 46 and issued Interpretation Number 46(R), "Consolidation of Variable Interest Entities - an Interpretation of ARB No. 51" ("FIN No. 46(R)"). The decisions reached included a deferral of the effective date and provisions for additional scope exceptions for certain types of variable interests. Application of FIN No. 46(R) is required in financial statements of public entities that have interests in VIEs or potential VIEs commonly referred to as special-purpose entities for periods ending after December 15, 2003. Application by public small business issuers' entities is required in all interim and annual financial statements for periods ending after December 15, 2004. The adoption of FIN No. 46(R) is not expected to have an impact on the Company's consolidated financial position, results of operations or cash flows.

ITEM 3. CONTROLS AND PROCEDURES.

The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in the Company's Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to the Company's management, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with participation of management, including our Chief Executive Officer and Principal Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based on the foregoing, our Chief Executive Officer and Principal Financial Officer concluded that our disclosure controls and procedures were effective.

CHANGES IN INTERNAL CONTROLS OVER FINANCIAL REPORTING . During the quarter ended January 31, 2004, there have been no changes in our internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect, these controls.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

None.

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS.

(c) During the three months ended January 31, 2004, the Company issued unregistered securities as follows:

In November 2003, we:
a) sold 160,834 shares of common stock for $29,500;

In December 2003, we:
a) sold $1,000,000 of 7% convertible debentures due in December 2006;
b) issued 6,666,667 warrants with a strike price of $.25 per common share of stock and 666,667 warrants with a strike price of $.15 per common share, in conjunction with the $1,000,000 of 7% convertible debentures discussed above;
c) sold 931,667 shares of common stock for $177,501;
d) issued 106,668 shares of common stock as consideration for the extension of the due date on certain convertible promissory notes, valued at $26,667;
e) issued 2,800,000 shares of common stock for consulting services, valued at $560,000; and f) issued 15,000 shares to a vendor for services, valued at $3,750.

In January 2004, we:

a) sold 100,000 shares of common stock for $17,500;
b) issued 173,335 shares of common stock as consideration for the extension of the due date on certain convertible promissory notes, valued at $41,600;
c) issued 440,000 shares of common stock in lieu of deferred compensation of $110,000 to two officers;
d) issued 383,333 shares of common stock for compensation to two officers, valued at $92,666;
e) issued 1,000,000 shares of common stock for consulting services, valued at $200,000
f) issued 666,666 shares of common stock to two officers as consideration of their collective effects in the closing of the Debenture Agreement dated December 31, 2003.

All of the securities issued in the transactions described above were issued without registration under the Securities Act in reliance upon the exemption 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:

4.4 Form of Three year New Visual 7% Convertible Debenture (1)

4.5 Form of the three year warrant issued to the Holders of the 7% Convertible Debenture (1)

10.1 Form of Securities Purchase Agreement dated as of December 31, 2003 between New Visual and the Holders of the three year 7% Convertible Debentures (1)

10.2 Form of Registration Rights Agreement dated as of December 31, 2003 between New Visual and the Holders of the 7% Convertible Debentures (1)

10.3 Agreement dated December 31, 2003 between New Visual and Market Pulse *

31. Rule 13a-14(a) / 15d-14(a) Certification *

32. Section 1350 Certification *

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* Filed herewith.

(1) Filed as an Exhibit to the Company's Registration Statement on Form SB-2 filed on February 11, 2004 (333-112643)

(b) Reports on Form 8-K:

8-K filed on December 10, 2003 announcing the appointment of a new Chief Financial Officer of the Company.

8-K filed on December 23, 2003 announcing two officers purchasing a total of 440,000 shares of common stock from the Company.

8-K filed on January 6, 2004 announcing the Company's issuing $1,000,000 of 7% convertible debentures due on December 31, 2006.

8-K filed on January 7, 2003 announcing the resignation of the Company's Vice-President and Secretary.

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: March 16, 2004

By: /s/ Brad Ketch

BRAD KETCH
President and Chief Executive Officer
(CHIEF EXECUTIVE AND PRINCIPAL FINANCIAL OFFICER)