

INNOVATIVE DESIGNS INC
Form 10KSB
January 31, 2005
Unknown;

U.S. SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-KSB

(X)

Annual report pursuant to section 13 or 15(d) of the Securities Act of 1934.

For the fiscal year ended October 31, 2004

()

Transition report pursuant to section 13 or 15(d) of the Securities Act of 1934.

For the Transition period from _____ to _____.

Commission file number: 333-103746

Innovative Designs, Inc.

(Exact name of registrant as specified in its charter)

Delaware

03-0465528

(State or other jurisdiction of

(I.R.S. Employer

incorporation or organization)

Identification Number)

223 North Main Street, Suite 1

Pittsburgh, Pennsylvania 15215

(Address and zip code of principal executive offices)

(412) 799-0350

(Registrant's telephone number including area code)

Securities to be registered pursuant to Section 12(b) of the Exchange Act:

Securities to be registered pursuant to Section 12(g) of the Exchange Act:

Check whether the issuer (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities and Exchange Act of 1934 during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes

X

No

Check if no disclosure of delinquent filers to Item 405 of Regulation S-B is contained in this form, and no disclosure will be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB. X

The issuer's revenues for its most recent fiscal year were \$71,999.

The aggregate market value of the voting stock, consisting solely of common stock, held by non-affiliates of the issuer computed by reference to the closing price of such stock was \$10,581,308 as of January 7, 2005.

The number of shares of the issuer's common stock outstanding, as of January 7, 2005 was 17,066,625.

Transitional Small Business Disclosure Format:

Yes

No

X

PART I

[Items 6 - 12 of Model B of Form 1-A]

ITEM 6.

DESCRIPTION OF BUSINESS.

We are a development stage company. We were incorporated in the State of Delaware on June 25, 2002 to market recreational products that are made from eliotex, a material with buoyancy and thermal resistant properties. Since our formation and as more fully explained on pages 38-48 of this Form 10-KSB, we have devoted our efforts to:

.

Formulating and developing our business plan;

.

Raising capital through a private placement of our stock;

.

Developing our marketing plan;

.

Developing our web site;

.

Negotiating and completing our sublicense agreement with RMF Global;

.

Completing the development, design, and prototypes of certain products;

.

Leasing warehouse space for our inventory, eliotex, and other raw materials;

.

Obtaining retail stores to offer and sell our products;

.

Executing an agreement with a manufacturers representative group to sell our products to retail chains;

.

Obtaining services from third parties for our participation in trade shows; and

.

Completing an agreement with Haas Outdoors as more fully described on page 6.

RMF Global, Inc. was incorporated on April 1, 1999 in the State of Pennsylvania and is owned and controlled solely by our Chief Executive Officer, Joseph Riccelli. On March 2, 2003, RMF Global entered into a written license agreement with Ko-Myung Kim for the exclusive distribution rights to eliotex in the United States, Canada, Mexico, India, the United Kingdom and Turkey. Mr. Kim owns the patent to the process to make the eliotex material. On November 25, 2002, we entered into a written sublicense agreement with RMF Global for the exclusive rights to distribute three products made from eliotex which RMF Global developed and to use eliotex in products that we develop. We plan to market our products containing eliotex, three of which were developed by RMF Global. All of our products bear our label "idigear".

We have never been the subject of any bankruptcy or receivership action. We have had no material reclassification, merger, consolidation, or purchase or sale of a significant amount of assets outside the ordinary course of business.

We have no plans to seek a merger, acquisition or business reorganization or to otherwise enter into a business combination with another entity.

The only exclusive distribution rights we have are derived from our November 25, 2002 written sublicense agreement with RMF Global, our affiliated entity, to: (a) distribute the sleeping bags, Swimeez, and stadium pack products containing eliotex, which RMF Global developed; and (b) to use eliotex in additional products that we develop.

We have no distribution rights, exclusive or otherwise, to be a distributor of eliotex; however, our affiliated entity, RMF Global, does have exclusive distribution rights to distribute eliotex in the United States, Canada, Mexico, Indonesia, the United Kingdom and Turkey, in accordance with the March 2, 2003 written license agreement with Mr. Kim which is described in more detail on

page 5. As such, we purchase eliotex from RMF Global to be used in the manufacture of our products. Similarly, other companies are free to purchase eliotex from RMF Global, assuming that it is a company within the distribution jurisdiction that RMF Global covers, which, as mentioned above, is the United States, Canada, Mexico, Indonesia, the United Kingdom, and Turkey. RMF Global is the supplier/distributor of the raw material "eliotex" and does not have any plans to directly manufacture finished goods containing "eliotex."

We offer the following three products containing eliotex which were developed by RMF Global:

.

Floating Swimwear Product under our product name "Swimeez". Our swimwear is designed to be a swim aid. The interior lining of our swimwear product is made from eliotex, which enhances floatability. This product comes in a boys and girls design in children's sizes from 5 to 12 years old, and adult sizes of Small, Medium and Large. We offer 7 colors for the girls' Swimeez: yellow, green, fuchsia, daisies, floral blue, floral green, and cherries. We offer 3 colors for the boys' Swimeez: neon lime, navy, and gray.

.

Sleeping Bag Products. Our sleeping bag products, available in both rectangular and mummy styles, are water resistant, windproof and weigh less than 2 pounds each. The eliotex insulation enables our sleeping bags to have a temperature rating of 15 degrees to 20 degrees Fahrenheit. We offer our sleeping bag product in black and camouflage colors.

.

Stadium Pillow. The use of eliotex in this product provides protection from weather conditions such as rain and cold. By altering the configuration of the folds and zippers, the product can be used as a:

.

Stadium seat cushion or pillow;

.

Thermal rain parka with a zip-out hood;

.

Sleeping Bag;

.

Flotation Raft; and

.

Double Comforter.

We use eliotex to provide protection from harsh weather conditions in the following products which we developed:

.

Windshirts. Our windshirts are available in only one style and in five colors: grey, navy, red, black, and khaki.

.

Jackets. Our jackets are available in only one style and in five colors: grey, navy, red, black, and khaki.

.

Ball Caps. Our ball caps are available in only one style and one color, navy blue.

Products in Development Stage

In December 2003, we completed the design, prototype, and testing of certain hunting line apparel and accessories, which we are in the development stage of introducing into our existing "i.d.i.gear" line. These products utilize the Mossy Oak / Haas Outdoors, Inc. camouflage fabric and our eliotex fabric and are intended for the hunting outdoor apparel industry. The apparel products in this development stage are:

- .
- six pocket pants which are styled similar to cargo pants;
- .
- 1/2 zip pullover jacket with collar;
- .
- parka jacket;
- .
- fleece jacket;
- .
- guide series shirt, which is similar in style to a button down collar long sleeved oxford style shirt;
- .
- bib coveralls in light weight; and
- .
- bib coveralls in arctic weight which contains two layers of eliotex.

In addition, we are in the development stage of introducing an accessory product which is a "waterfowl" floating fishing bag/cooler.

These prototypes were manufactured at the facility we currently utilize in Indonesia. We assumed no material costs associated with the design, prototyping, and testing of these products because: (a) we did not utilize the services of any outside consultant or company for these purposes; (b) although we used the services of our Chief Executive Officer and Vice President of Sales and Marketing for these purposes, their efforts were part of their normal responsibilities; (c) prior to the time we had undertaken to design and prototype of these products, we purchased the

materials to accomplish these tasks, and the cost of these materials did not exceed \$1000; and (d) the testing of these products was performed in the "field" by our employees and our Manufacturer's Representative group, Havel-Giarusso and Associates, as part of their normal responsibilities.

On June 11, 1999, our affiliate, RMF Global, entered into an agreement with Eliotex SRL, an Italy corporation owned and controlled by Mr. Elio Cattan, a citizen of Italy, whereby Eliotex SRL guaranteed RMF Global an adequate supply of eliotex sufficient to enable RMF Global to ensure an adequate and timely supply of product to its customers in whatever quantities as may be required by RMF Global. The agreement had an initial term of two years and was automatically renewable if RMF Global placed orders of \$1,500,000 during the first year of the agreement. Because RMF Global did not place orders of \$1,500,000, the agreement was not automatically renewed and as such, the agreement expired on June 11, 2001.

From January 1999 to January 2001, Eliotex SRL furnished RMF Global with 42 inch width eliotex. At the time, RMF Global was able to use 42 inch width eliotex to make its childrens swimsuit products. RMF Global's primary business at this time was to sell eliotex to other companies in the United States. RMF Global's primary business continues to involve the sale of eliotex to other companies, including us; however, 42 inch width eliotex did not conform to the standard fabric width in the apparel industry, namely 60 inch fabric, and most companies, including us, that submitted orders to RMF Global were for 60 inch width eliotex. As such, using 42 inch width eliotex for 60 inch fabric would essentially involve 18 inches of wasted fabric, which would not be a cost effective means of manufacturing apparel. Based on these order requirements, from approximately January 2000 to August 2002, on various occasions, RMF Global requested that Eliotex SRL provide it with 60 inch width eliotex; however, on each occasion Eliotex SRL was unable to do so, and remains unable to do so. Additionally, as a result of not being able to obtain eliotex from Mr. Kim, the holder of the patent as explained on

- 4 -

page 5, Eliotex SRL no longer has the ability to provide RMF Global with eliotex. As a result, RMF Global sought other sources of eliotex.

From February 2001 and until approximately January of 2002, RMF Global searched for sources of eliotex and eventually located Mr. Kim, a citizen of Korea. RMF Global entered into a verbal agreement with Mr. Kim in June of 2002. From approximately June 2002 until March 2, 2003, RMF Global, our sublicensor, purchased eliotex on an as needed basis from Mr. Kim, in accordance with a verbal agreement. The same terms of the verbal agreement were set forth in a written agreement on March 2, 2003. On March 2, 2003, RMF Global entered into a written agreement with Mr. Kim, whereby Mr. Kim granted RMF Global the exclusive, unlimited, irrevocable right and license, with the right to grant sublicenses to third parties, to purchase, use, develop, commercialize, market, have marketed, sell and have sold, manufacture and have manufactured products related to or utilizing eliotex whether present or future for all countries in the world other than Korea and Japan. Under the terms of the agreement Mr. Kim agreed to promptly deliver to RMF Global within twenty-eight (28) days of receiving an order from RMF Global, all eliotex ordered by RMF Global. Under the terms of the agreement, RMF Global is required to pay \$.60 USD per meter for all eliotex ordered from Mr. Kim and this price remains \$.60 USD per meter for a period of ten (10) years from the date the agreement was signed. The agreement further provides that after this ten year period, this price shall be adjusted for subsequent ten (10) year terms at a price increase of no more than twelve percent (12%) per ten (10) year term. The price paid by RMF Global for eliotex shall remain the same for each ten (10) year term. RMF Global shall order eliotex from Mr. Kim from time to time as needed and shall not be required to purchase any minimum amount of

eliotex during the term of this agreement, and RMF Global is not required to make any minimum annual payment to Mr. Kim. However, should RMF Global place an order, any quantity ordered must be a minimum of 55,000 meters of eliotex. RMF Global is not required to pay to Mr. Kim any part of any sublicense fee that RMF Global receives from third party sublicensees, and RMF Global shall not pay any fees to Mr. Kim. This agreement will be in full legal force and effect for an initial term of ten (10) years from the date of its execution. RMF Global will have the option to renew this agreement for up to four (4) successive terms of ten (10) years each by giving notice to Mr. Kim of its intention to so renew not less than ninety (90) days prior to the expiration of the then-current term.

On November 25, 2002, we entered into an agreement with RMF Global, which is owned and controlled solely by our Chief Executive Officer, Joseph Riccelli. The terms of this agreement provide that RMF Global: (a) grants us an exclusive sublicense to manufacture and market RMF Global's three product lines, which are bathing suits, sleeping bags, and stadium pillows; (b) is required to provide us with eliotex to adequately and timely meet our needs; and (c) will sell eliotex to us at a price equal to the lowest price it charges any of its other customers. In addition, the agreement requires that Joseph A. Riccelli, our Vice President, oversee raw material ordering, receiving and warehousing, sub-manufacturing, warehousing, shipping and delivery of our products. The agreement is for a term of ten years and we shall have the option to renew the agreement for four subsequent terms of ten years each.

Under the agreement, we must pay RMF Global \$1,250,000 for the grant of the sublicense, consisting of a \$50,000 down payment which we have already paid and three annual payments of \$400,000, payable in November 2003, 2004, and 2005. The November 2003 and 2004 payments have been paid as of the filing date of the Form 10(KSB). Additionally, we must use our best efforts to manufacture our products in accordance with high standards of quality and are required to promptly make full payment to RMF Global for all eliotex that we purchase from them.

On March 6, 2003, we agreed to enter into a letter agreement with the Victory Junction Gang Camp located in Randleman, North Carolina, in which we agreed that we would donate to Victory Junction Gang Camp a portion of the proceeds from sales of our sleeping bag products, specifically \$1 per sleeping bag sold, to be paid to Victory Junction on a quarterly basis with the first payment due following our third quarter. The agreement runs from April 2003 until the end of April 2004. Our web site is linked on Victory Junction Gang's web site, which is linked to Nascar and other organizations and sponsors. We are including the Victory Junction Gang Camp logo on all of our point of sale posters and literature, and have added a link from our website to theirs at www.victoryjunction.org.

On June 16, 2003, we completed an agreement with Haas Outdoors in which Haas Outdoors granted us a non-exclusive wholesale license in North America to: (a) manufacture, or sell products or to have manufactured for us, and to sell licensed products of Haas Outdoors; and (b) use the licensed trademark of Haas Outdoors in association with the marketing and sale of licensed products. The agreement defines licensed products as a product which bears or otherwise includes Haas Outdoors' licensed design and is further restricted to mean only our stadium pillow products. "Licensed design" is defined in the agreement as the camouflage pattern(s) known as the Mossy Oak Break-Up and/or New BreakUp patterns and which is covered by Haas Outdoors' copyrights, including but limited to United States Copyright Registration No. 2,227,642. The agreement defines "licensed trademark" as Haas Outdoors' trademarks Mossy Oak, Break-Up and/or or New BreakUp. The term of the agreement is two years from the effective date of the agreement, May 30, 2003. We paid a one time \$250 licensing fee for these rights. We are also required to pay to Haas Outdoors a running royalty, which is included in the price of fabrics purchased from licensed vendors of Haas Outdoors.

In addition, the agreement provides that we, as the licensee in the agreement are required to: (a) place on the licensed products in a manner proscribed by copyright laws and unless otherwise indicated, a sufficient copyright notice which will include the copyright notice, the year of publication, and an identification of Haas Outdoors as the owner; and (b) in all instances where Haas Outdoors so desires, we will include on licensed products the authorized trademark associated with the authorized design. We also agreed that nothing in the agreement will confer upon us any proprietary interest in the licensed designs, the licensed trademarks, or any other copyright, trademark and patents rights owned by Haas Outdoors. In addition, we agreed that Haas Outdoors is the owner of the licensed designs and licensed trademarks and that we will not contest the validity or enforceability of the licensed trademarks or Haas Outdoors copyrights in the licensed designs.

On December 3, 2003, we completed an agreement with Summit Financial Partners, LLC, an Indiana Limited Liability Company, for Summit Financial to represent us in investors' communications and public relations with existing shareholders, brokers, dealers, and other investment professionals as to our current and proposed activities, and to consult with management concerning our activities. The term of the agreement is from December 3, 2003 to June 3, 2005.

Under the agreement, we agreed to issue eight hundred thousand (800,000) restricted shares of our common stock for services rendered.

Innovative Designs and Summit Financial mutually agreed to terminate the agreement in July 2004. Summit Financial retained 150,000 shares for services rendered from December 3, 2003 until the agreement terminated in July 2004. Summit Financial returned 650,000 shares to us upon the termination of the agreement.

- 6 -

Swimeez Product

Our Swimeez product is intended for use by the following groups that are our target markets for these products:

.

Toddlers and children from the ages of 3 to 12 who are learning to swim;

.

Handicapped persons; and

.

Adults learning to swim.

Sleeping Bags

Our sleeping bag products are intended for use by the following groups that are our target markets for these products:

.

Outdoor enthusiasts, such as hikers, climbers, mountain bikers and kayakers;

.

Campers;

.

Boy Scouts and Girl Scouts;

.
Motorcyclists; and

.
Hunters and Fishermen.

Stadium Pillows

Our stadium pillow products are intended for use by the following groups that are our target markets for these products:

.
Colleges;

.
Child/Amateur sport organizations; and

.
Hunting/Fishing enthusiasts.

Windshirts

Our windshirt products are intended for use by the following consumer groups that are our target markets for these products:

.
Golf club pro shops;

.
Golf tournament organizers;

Corporate promotional organizations; and

.

Sporting organizations and teams.

Jackets

Our jacket products are intended for use by the following consumer groups that are our target markets for these products:

.

Colleges;

.

Sporting teams; and

.

Corporations.

Ball Caps

Our ball cap products are intended for use by the following consumer groups that are our target markets for these products:

- 7 -

.

Golf club pro shops;

.

Golf tournament organizers;

.

Corporate promotional organizations;

.

Sporting organizations and teams;

.

Colleges;

.

Sporting teams; and

.

Corporations.

Products in the Development Stage of Introducing

We have completed the design, prototype and testing of the following products which we are in the development stage of introducing into our existing i.d.i.gear line. These products will utilize the Mossy Oak / Haas Outdoors, Inc. camouflage fabric and our eliotex fabric and are intended for the hunting outdoor apparel industry:

.

six pocket pants which are styled similar to cargo pants;

.

1/2 zip pullover jacket with collar;

.

parka jacket;

.

fleece jacket;

.

guide series shirt, which is similar in style to a button down collar long sleeved oxford style shirt;

.

bib coveralls in light weight; and

.

bib coveralls in arctic weight which contains two layers of eliotex.

We sell both wholesale and retail products on our website. Our website, which is located at www.idigear.com, became operational in October 2002 and contains information on our products, technical information on eliotex insulation, e-commerce capabilities with "shopping cart", wholesaler information and order forms, company contact information, and links to retailers that carry our products. We have obtained the services of BA Web Productions, our website marketing consultant, which assists us in designing and continually developing our website. Our website features a "wholesaler only" area, allowing our wholesalers access to information, ordering, and recalls. The web site is hosted by Nidhog Hosting. The secure payment gateway provider for our online e-commerce is SkipJack Financial Services.

The following retailers purchase our products at wholesale prices which they plan to sell at their retail prices:

.

Woodlands Outdoor World, a retail store, located in Farmington, Pennsylvania, sells our sleeping bag and our windshirt products;

.

Nemacolin Woodlands Resort and Spa's retail store located in Farmington, Pennsylvania, sells our windshirt product; their online catalogue at www.nemacolin.com offers our i.d.i.gear products;

.

Pool Nation located in Pittsburgh, Pennsylvania, B and R Pools located in Pittsburgh, Pennsylvania, Knabes Swim Shop located in Monroeville, Pennsylvania, and Ross and Sons Pools located in Punxsutawney, Pennsylvania, all of which are retail shops, sell our "Swimeez" products;

.

The Pittsburgh Shop, a retail store located in Pittsburgh, Pennsylvania, sells our windshirts and hats;

.

Jay's Sporting Goods, Inc., based in Clare, Michigan, has store locations in Clare and Gaylord, Michigan, will carry i.d.i. gear hunting apparel and accessories line;

.

Dick Sporting Goods, a Pittsburgh-based retail chain, will carry newly launched i.d.i. gear hunting apparel in four states;

- 8 -

Latrobe Country Club, a private country club located in Latrobe, Pennsylvania, started retailing our windshirts and jackets;

Bob's Army and Navy Store located in Clearfield, Pennsylvania retails our sleeping bags and stadium packs; and

the following retailers retail our sleeping bags: (a) Hunters Headquarters located in Sunbury, Ohio; (b) Sportmens Den located in Shelby, Ohio; (c) Fin, Feather, Fur Outfitters located in Ashland, Ohio; (d) Buckeye Outdoors, Inc. located in Hebron, Ohio; and (e) Southern Ohio Trading located in Nelsonville, Ohio.

We have no verbal or written agreement with these retailers and we have no intention of entering into any such agreement. These retailers purchase our products from us strictly on a purchase order basis.

In November 2002, we entered into a verbal agreement with Havel-Giarusso and Associates, a manufacturer representative located in Big Lake, Minnesota, to be the manufacturer representative of our products.

Havel-Giarusso and Associates determined that there would be a conflict of interest with their other clients if they became the manufacturer representative of our products. Therefore, Innovative Designs and Havel-Giarusso mutually agreed to terminate the verbal agreement in April 2004.

In March 2004, we entered into a formalized agreement for the manufacture representation services of Evernham & Anderson Associates, Inc. Evernham & Anderson Associates, Inc. is an Indianapolis, Indiana based company which maintains a reputable presence in the hunting industry through client/buyer contacts. They sell primarily to a customer base consisting of dealers, distributors, mass merchants, and buying groups consisting of but not limited to law enforcement distributors, Cabelas, Bass Pro Shops, Gander Mountains, Galyans, Jay's and Dunham's. They cover the following states: Illinois, Indiana, Iowa, Kansas, Kentucky, Michigan, Minnesota, Missouri, Nebraska, North Dakota, South Dakota, Ohio, South Dakota, Wisconsin, and California.

We plan to distribute our products to the following:

Sleeping Bag Products

We plan to distribute our sleeping bag products through sporting goods catalogs, sporting shows and trade shows, and retail outlets and chains.

Swimeez Products

We plan to distribute our Swimeez products through sporting goods catalogs, trade shows, and retail outlets and chains.

Stadium Pillow Products

We plan to distribute our Stadium Pillow products through sporting goods catalogs, trade shows, sporting shows, and retail outlets and chains.

Windshirts, Jackets, Ball Caps

We plan to distribute our windshirts, jackets, and ball caps through various wholesalers, retail outlets and chains, and trade shows.

- 9 -

Six pocket pants, 1/2 zip pullover jacket with collar, parka jacket, fleece jacket, guide series shirt, bib coveralls in light weight, and bib coveralls in arctic weight. We plan to distribute these products, which we are in the development stage of introducing to the public, through trade shows, product information mailings to prospective retail buyers, and private showings to targeted buyers in the retail industry.

Our planned marketing program will consist of the following:

MARKETING COMPONENT

Webside Development and Internet Marketing

We plan to contract with marketing consultants to:

(a)

increase visitation to our website;

(b)

link with other established websites;

(c)

issue press releases to on-line publications;

(d)

conduct banner advertising;

(e)

develop arrangements with online retailers that purchase our products on a wholesale basis.

Sales Representatives

We plan to hire 3 sales representatives to:

(a)

sell our merchandise to retail chain stores;

(b)

attend and network trade shows to establish industry related contracts;

(c)

initiate relationships with local and national recreational organizations; and

(d)

provide support to our manufacturer representatives

Contract with manufacturer

We plan to locate 5 manufacturer representatives that will attempt to sell our apparel to retailers.

Public relations campaign

We plan to contract with marketing consultants to develop and distribute press releases regarding company status, product innovations, and other notable events and developments

Design and develop

We plan to contract with marketing consultants to literature, displays and develop brochures,

point-of-sale displays, mailers, media materials and literature and sales tools for our sales

representatives and manufacturer representatives.

Establish wholesale

We plan to develop relationships or distribution relationships with retail points for our products

with retail chain outlets and mass merchandisers to sell our products

Develop trade show booth

We plan to contract with marketing consultants to and attend trade shows design and develop a

portable display booth and product materials to be used in sporting goods and outdoor apparel

trade shows.

- 10 -

Our method, time period, and cost for accomplishing these marketing plans is detailed in our Plan of Operations Section at pages 38-48.

We plan to ship our wholesale product orders in packages consisting of 6 products per package of the same style, size, and color. We plan to ship wholesale product orders by United Parcel Service or trucking companies. Retail orders from our website will be shipped United Parcel Ground Service or Federal Express overnight. The costs of shipping our finished goods is paid by our customers. We have not instituted any formal arrangements or agreements with United Parcel Service, Federal Express or trucking companies, and we do not intend to do so.

Our "idigear" label is sewn on all of our products. Haas Outdoors, Inc.'s Mossy Oak and New Break Up hang tags are attached only to our "Mossy Oak pattern" stadium pillow products. Additionally, we will be utilizing the Mossy Oak camouflage on the new products that we are in the development stages of introducing, which will feature the Mossy Oak hang tag with our "idigear" hang tag. These products are listed on page 8.

Eliotex will be used in all our finished goods and will be purchased from our affiliate/licensor, RMF Global.

Raw Materials to be Provided for our Floating Swimwear Products:

.

Eliotex

Eliotex will be used to create the buoyant quality of our floating swimwear product.

.

Lycra

We will purchase Lycra from Yasha Fabrics which is located in Los Angeles, California. Lycra is an elastic polyurethane fiber or fabric used especially for close-fitting sports clothing and will be used for the outer shell and inside lining of our floating swimwear product.

.

Zippers

We will purchase zippers from Barbie International Corporation which is located in New York, New York.

The delivery time involved for these raw materials from the date of order to date of delivery is less than two weeks.

Raw Materials to be provided for our Sleeping Bags and Stadium Pillow Products:

.

Eliotex

Eliotex will be used in our sleeping bags, Swimeez and stadium pillow products as insulation and to provide buoyancy to these products.

.

Rip Stop Nylon

We will purchase Rip Stop Nylon from Roberts Textile Company located in New York, New York. Rip Stop Nylon is a manufactured fiber that is strong and is resistant to both abrasion and damage from many chemicals. Rip Stop Nylon fabric is non-absorbent, durable, fast drying, resistant to moths and other insects, water, perspiration and standard dry cleaning agents. The Rip Stop Nylon fabric also contains

- 11 -

an added nylon cross weave to prevent tearing of the material. Rip Stop Nylon is commonly used in women's hosiery, knitted or woven lingerie, socks and sweaters, rugs and carpets, sleeping bags, duffle bags, racquet strings, and fishing lines. Rip Stop Nylon is used in our sleeping bags and stadium pillow products as the exterior shell.

Nylon polyester tricot

We will purchase nylon tricot from Roberts Textile Company or Fab Industries, both of which are located in New York, New York. Nylon tricot is made from very fine or single yarns, providing a suede-like texture. Nylon tricot is typically used for underwear, sportswear, bathing suits and gloves. Nylon tricot is used in our sleeping bags as the inside lining.

.

Compression sacks

We will purchase compression sacks from Equinox located in Williamsport, Pennsylvania. Compression sacks are small Rip Stop Nylon bags, approximately 12 inches by 8 inches. They are separate from our sleeping bag and are used to compress our sleeping bag when not in use. Rip Stop Nylon is the sole component of the compression sacks.

.

New Products Utilizing the Mossy Oak Brand Camouflage Pattern

We will purchase the Mossy Oak Brand camouflage fabric from a licensed distributor for Haas Outdoors, Inc, MAHCO, based in Bentonville, Arkansas. This fabric will be shipped to our submanufacturer, PT Lydia and Natalia, Indonesia. PT Lydia and Natalia, at their discretion, will source the additional raw materials for the completion of each garment or accessory.

Raw Materials to be provided for our Jackets, Windshirts, and Ball Caps

.

Eliotex

Eliotex will be used to provide insulation in our jackets, windshirts, and ball caps.

.

Polyester peached microfiber

We will purchase polyester peached microfiber which is a type of grade microfiber from Roberts Textile Company located in New York, New York. It is durable and water repellent treated for our jackets, windshirts, and ball caps.

Rib knit

We will purchase rib knit for our jackets, windshirts and ball caps from Green Mountain located in Knitter, Vermont. Rib knit is a mix of cotton and Lycra and is elastic and is used for the trip around the collars, waistbands and cuffs.

The delivery time involved for our raw materials from the date of order to the date of delivery is less than one week for all stocked materials. Non-stocked materials or special orders may take up to two weeks for delivery.

The only "raw product" we store on a continual basis is "eliotex" which we store in our warehouse. Our warehouse space is sufficient for our storage of eliotex. For the other raw

- 12 -

materials that are below 1000 piece goods, we have the materials shipped directly to the sub-manufacturer. For production runs in excess of 1000 piece goods, we arrange for the raw materials to be shipped to our warehouse facility, which is sufficient for that use. Thereafter, we distribute to the sub-manufacturer the quantity needed for each production run and we store the remaining quantity. Payment typically will be due on an average of 30 to 60 days after receipt of the raw materials by our sub-manufacturer or our warehouse facility. Our Indonesia based manufacturer, PT Lidya and Natalia, has sole discretion in the sourcing and ordering of raw materials for their production runs, the costs of which we reimburse PT Lidya and Natalia.

All of our products are sub-manufactured by PT Lidya and Natalia located in Sidoarjo, Indonesia. Because the predominant function of the Stadium Pillows is a sleeping bag, they are imported as sleeping bags. Indonesia does not impose quotas that limit the time period or quantity of items which can be imported. The United States Customs Service imposes a 9% importation duty for Indonesia based goods imported into the United States.

We have no verbal or written agreements or long term agreements with PT Lidya and Natalia and we do not plan to obtain any such agreements. Our sub-manufacturer manufactures our products on a per order basis.

We have submitted the following purchase orders to our manufacturers to effect manufacturing of our products:

.

August 30, 2002 - We submitted a purchase order to PT Lidya and Natalia to manufacture 6,000 of our stadium pillows;

.

January 12, 2003 - We submitted a purchase order to PT Lidya and Natalia to manufacture 5,000 compression sacks for our sleeping bags, and 1550 jackets;

.

March 21, 2003 - We submitted a purchase order to R and M Apparel to manufacture 648 of our windshirts.

The fulfillment process involved in completing wholesale orders for non stocked swimsuit, sleeping bag, windshirt, jacket, and ball cap products is described below:

DAY

ACTION

1

We receive a purchase order for a certain number of items from a wholesale purchaser by hand delivery, fax, courier, or mail, with an authorized signature of the purchaser. We do not accept telephone orders.

We contact a raw material supplier to send a certain number of yards of raw materials to our

sub-manufacturers. Raw materials are ordered according to need.

We contact our sub-manufacturers with the details of the order, including the number of units to be produced according to design or model, size, or color.

We complete and forward a purchase order to the manufacturer. The manufacturer approves or disapproves a purchase order.

If the purchase order is approved, the manufacturer responds with a final cost, production schedule and date the goods will be delivered to us.

DAY

ACTION

10

Our sub-manufacturers ship finished goods to us.

14

We receive finished goods, and facilitate turn-around for shipment to the sporting goods store.

Goods received in distribution center where they are packaged in Master Packs, hang tags

attached, and UPC/UCC codes labels applied to items for distribution retailer.

The basis for the above time estimates has been derived from RMF Global's prior experience with these sub-manufacturers.

The fulfillment process involved in completing wholesale orders for our Stadium Pillow products is described below:

DAY

ACTION

1

We receive an order for a certain number of items from a wholesale purchase by hand delivery, fax, courier, or mail with an authorized signature of the purchaser.

We contact our sub-manufacturers with details of the order, including the number of units to be produced according to color combinations. The sub-manufacturers then procure the raw materials.

7

Our sub-manufacturers receive raw materials from suppliers and begin production.

25 - 30

Within 25-30 days, our sub-manufacturers ship finished goods to us, pending no international freight or shipping issues.

56 - 61

We receive finished goods, and facilitates shipment to the buyer.

The basis for the above time estimates has been derived from RMF Global's prior experience with these sub-manufacturers.

Any inventory we maintain will be stored at our warehousing facility. Our warehouse facility has the capacity to hold 250,000 finished products in inventory and raw materials or eliotex. The amount of raw materials or eliotex we store at our warehousing facility is dependent upon the size of production runs at any one time and cannot be estimated with any certainty.

The markets for our products are increasingly competitive. Our competitors have substantially longer operating histories, greater brand name and company name recognition, larger customer bases and greater financial, operating, and technical resources than us. Because we are financially and operationally smaller than our competitors, we will encounter difficulties in capturing market share. Our competitors are able to conduct extensive marketing campaigns and create more attractive pricing of their target markets than we are.

Some of our biggest competitors in the floating swimwear market are:

.

www.floatingswimwear.com;

.

www.maui.net/-welck; and

.

www.hotshop.at/enlisch/swimc.

.

Welck-em Floats located in Lahaina, Hawaii;

- 14 -

.

Aqua Leisure Industries located in Avon, Massachusetts; and

.

Swim Coach websites located in the United Kingdom.

Some of our biggest competitors in the sleeping bag market are:

.

North Face located in San Leandro, California or www.thenorthface.com;

.

Slumberjack located in Saint Louis, Missouri or www.slumberjack.com;

.

Sierra Designs located in Emeryville, California;

.

Kelly Pack, Inc. located in Boulder, Colorado; and

.

Marmot Mountain, Ltd. located in Santa Rosa, California.

Some of our biggest competitors in our stadium pillow market are:

.

North Face located in San Leandro, California or www.thenorthface.com;

.

Slumberjack located in Saint Louis, Missouri or www.slumberjack.com;

.

Sierra Designs located in Emeryville, California;

.

Kelly Pack, Inc. located in Boulder, Colorado; and

.

Marmot Mountain, Ltd. located in Santa Rosa, California.

Some of our biggest competitors in our windshirts market are:

.

www.zerorestriction.com;

.

www.innerharborshirts.com; and

.

www.cutterbuckapparel.com.

Some of our biggest competitors in our jacket and ball cap markets are:

.

www.zerorestriction.com;

.

cutterbuckapparel.com; and

.

North Face located in San Leandro, California or www.thenorthface.com.

Some of our biggest competitors in the hunting apparel line that we plan on introducing to the public are:

.

Cabela's located in Sidney, Nebraska;

.

Bass Pro Shops located in Springfield, Missouri; and

.
Dicks Sporting Goods located in Pittsburgh, Pennsylvania.

We plan to compete in the following ways:

A.

Emphasize the Advantages of our Products Sleeping Bag Products

We plan to emphasize the following characteristics of our sleeping bag products:

.
inherent buoyancy of eliotex;

.
low weight;

.
compactness;

.
water repellency;

.
thermal insulation properties which makes a thinner, more compact, and warmer sleeping bag than some of our competitors; and

.
having these multiple advantages.

Swimeez Products

We plan to emphasize the following characteristics of our swimeez swimsuit product:

.

inherent buoyancy of eliotex which is sewn into our swimsuit and results in a less obtrusive swimming experience while still retaining buoyancy in comparison to some of our competitors; and

.

low weight.

Stadium Pillow Products

We plan to emphasize the following advantages of our Stadium Pillow product:

.

Our Stadium Pillow product has multiple uses by acting as a stadium seat cushion or pillow, thermal rain parka, sleeping bag, flotation raft and double comforter; and

.

Our Stadium Pillow product has the advantages of low weight, compactness, water repellency, and thermal insulation properties.

Windshirts, Ball Caps and Jackets

We plan to emphasize the following advantages of our windshirt, ball caps and jacket products:

.

low weight;

.
compactness;

.
water repellency;

.
thermal insulation properties which makes a thinner, more compact product than some of our competitors; and

.
having these multiple advantages.

Development Stage "Hunting Line"

We plan to emphasize the following characteristics and advantages of our Hunting Line products:

.
low weight;

.
compactness;

.
water repellency;

.
thermal insulation properties which makes a thinner more compact and warmer garment or accessory than some of our competitors;

.
competitive wholesale and retail prices; and

.
introduction of a new proprietary technical fabric, i.e. "eliotex", to the hunting industry that has fewer such technical fabrics in use by that industry.

The basis for our above product claims is derived from the Vartest Lab Results, a fiber/yarn, fabric and apparel testing firm, located in New York, New York that RMF Global retained and paid \$5,275 to conduct testing of the eliotex material. The March 1999 Vartest Lab Results appear below under our "Research and Development" Section.

B.

Utilize our web site to promote, market, and sell our products to consumers.

C.

Utilize professional sales representatives and manufacturer representatives to sell our products to established retailers, especially sporting goods retailers.

D.

Utilize sporting goods tradeshow to promote and market our products to potential distributors and consumers. To date, we have only attended one trade show, the Shot Show, a sporting/hunting/outdoor apparel show which occurred from February 13, 2003 to February 16, 2003 in Orlando, Florida; however, as more fully explained on page 45, our Havel-Giarusso and Associates manufacturer representative attended four trade shows during July, August, and September 2003.

E.

Utilize product endorsements from professional athletes and sports figures to bolster awareness and image of our products. To date, we have neither negotiated nor obtained such endorsements. We have not established any criteria for obtaining such endorsements.

Our products have the following disadvantages in comparison to the products of our competitors:

.
Lack of a broad range of product designs or styles; lack of product line depth.

Our competitors have many more products than we do that are available in various inner and outer materials, insulations, as well as designs, styles, and colors. In contrast, we only have 9 products which are in the development stage of being introduced, and 6 products with limited designs, styles, and colors. We have only two sleeping bag models with essentially the same insulation, shell fabric and linings and in only two colors, while other companies such as North Face, Inc. offer at least 20 models of sleeping bags for mountaineering and backpacking with differing insulations, shell fabrics and linings. Additionally, we have only one floatable swimwear product, while other companies have similar products with many different models and designs. Our windshirts, jackets and ball caps are available in only one style and a limited number of colors. Moreover, although our stadium pillow products have multiple uses, they are not available in different models or differing insulations, shell fabrics or linings. Because our competitors offer hundreds of different products that we do not offer, our limited product line may not appeal to a variety of consumer preferences.

.
Preference for less insulated sleeping bag.

Because our sleeping bags are developed for use in cold conditions, outdoor enthusiasts in warmer climates may prefer a less insulated sleeping bag offered by our competitors.

Lack of brand name recognition or recognition of the properties of eliotex and its advantages. We, as well as our products, have little brand name recognition compared to our competitors. Our Stadium Pillow products, as new products, will especially encounter difficulties in establishing product recognition. Also, although our products have insulation properties, the material "down" has a widespread and established reputation as being the superior insulation in the market, while the properties and advantages of eliotex has little public recognition.

There can be no assurance that we will be able to compete in the sale of our products, which could have a negative impact upon our business.

We do not expect our business to be dependent on one or a few customers or retailers; however, there is no assurance that we will not become so dependent.

On March 4, 2003, we applied for trademark protection for our name "idigear" with the United States Patent and Trademark Office. On December 24, 2003, we received a Notice of Publication from the United States Patent and Trademark Office, informing us that the "idigear" mark appears to be entitled to registration and would be published in the Official Gazette on January 13, 2004 to ascertain whether there would be any opposition by any person who believes he will be damaged by the registration of the mark and that if no opposition is filed within the time specified by Trademark rules, the Commissioner of Patents and Trademarks may issue a certificate of registration. We have not received any other communication or any disposition regarding this trademark application and there is no assurance that we will ever receive trademark approval for our idigear name.

On March 10, 2003, our affiliated entity, RMF Global, applied for registration of the mark "eliotex" with the United States Patent and Trademark Office. RMF Global has not received approval or any disposition regarding this service mark application and there is no assurance that RMF Global will ever receive service mark approval for the "eliotex" name.

We have not applied for trademark protection for our name, "Innovative Designs, Inc." with the United States Patent and Trademark Office. There can be no assurance that our use of the name Innovative Designs, Inc. or idigear will not violate the proprietary rights of others. If our use of the Innovative Designs, Inc. or idigear name is challenged, our use of the name could be prohibited. Our competitors may adopt product or service names similar to ours, which would impede our ability to build brand identity and otherwise negatively affect our brand name reputation. Should we be unable to protect our trade names, our business, results of operations, and financial condition will be negatively affected.

On July 4, 2000, the United States Patent and Trademark Office granted a United States Patent, Patent Number 6,083,999, titled "Process for the Preparation of a Super Lightweight Foamed Sheet". The inventor of the patent is identified in the patent as Hung Seob Moon of the Republic of Korea and the assignee of the patent is identified as Elio Davide Cattani.

The patent states that it is the "object of the present invention to eliminate the above mentioned drawbacks [bulkiness and being cumbersome in practical use] by providing a foamed expanded super lightweight sheet having superior buoyancy and cold and heat resistance properties. Another object of the present invention is to provide a thin and super lightweight lining for garments and sports articles and other related equipment which are cumbersome and bulky, while yet combining both buoyancy and thermal resistance properties."

We do not have the actual patent described above; rather, we have been granted a sublicense by RMF Global for the exclusive marketing and distribution rights for use of eliotex in sleeping bags, swimsuits, and stadium pillows and the rights to purchase eliotex for the manufacture of other apparel and accessory items containing eliotex. As explained immediately below, the inventor of eliotex and patent recipient, Mr. Moon, assigned the patent to Mr. Kim. RMF Global obtained its license rights from Mr. Kim.

Background of Assignment to Elio Davide Cattan

The original patent, Patent Number, 35988-1997, was issued in Korea to Hung Seob Moon. On or about July 31, 1997, Mr. Moon assigned his right, title and interest in the invention and patent to Ko Wyong Kim, a resident of Korea. Mr. Moon reserved his patent rights in Korea and Japan. On December 6, 1997, Mr. Kim and Mr. Elio Davide Cattan entered into a license agreement which grants to Eliotex SRL, an Italy corporation under Mr. Cattan's control, those patent rights granted to Mr. Kim by Mr. Moon. On June 1, 1998, Mr. Moon executed an assignment of his right, title and interest in the patent and invention regarding such usage in the United States to Mr. Cattan. The purpose of this assignment was to facilitate the license agreement between Mr.

- 18 -

Kim and Mr. Cattan. This agreement provides that in the event of any breach of the agreement, the party not in default may terminate the agreement by providing written notice, and if the party in default fails to remedy the breach within 30 days, the written notice becomes effective. In connection with this provision of the agreement, Shin and Kim, a Seoul, Korea based law firm representing Mr. Kim, wrote a letter to Mr. Cattan on March 11, 2000, informing Mr. Cattan that: (a) Eliotex SRL was in breach of its various payment obligations under the license agreement, and continued to be in such breach, despite numerous reminders for payment of outstanding amounts; (b) upon termination of the license agreement, all rights of eliotex under the license agreement, including patent rights, would immediately cease.

Despite Mr. Kim's claim that Mr. Cattan no longer has any United States patent rights, Mr. Cattan is still, according to the United States Patent and Trademark Office, the rightful holder of the United States patent rights to eliotex. Should Mr. Cattan bring legal action against our affiliate, RMF Global, or Mr. Kim for violation of any intellectual property rights and should judgments or other court actions be rendered against RMF Global or Mr. Kim, our ability to purchase eliotex and to produce products containing eliotex may negatively affect our ability to conduct or continue our operations, in which case you may lose your entire investment.

Our production costs are limited to the invoices we receive from our submanufacturer, PT Lidya and Natalia, on a per production basis.

Because we plan to use sub-manufacturers for our products, we will not require any equipment for manufacturing and we do expect to incur any material costs affiliated with purchase of plant and significant equipment. We do not currently have any plant or significant equipment to sell.

We have spent no funds on research and development of our products. In March of 1999, our affiliate, RMF Global, hired and paid \$5,275 to Vartest Laboratories, Inc. to perform testing of the eliotex material. Other than the testing performed by Vartest Laboratories, Inc, RMF Global has spent no funds on research and development.

The Vartest Laboratories test results establish the buoyancy and insulation qualities of eliotex. The results are as follows:

Issue

Test Result

Fabric Weight

0.042 oz./square yard

Low

Fabric Thickness

0.021 inches

Thin

Thermal Retention

Clo value: 2.0

Good

Air Permeability

(protection from wind)

0.01 cubic feet of air/min/ft² of material (Good)

Low

Moisture Permeability

(protection from water)

5 grams/sq. meter/24 hrs. (Good)

Low

Although we are not aware of the need for any government approval of our principal products, we may be subject to such approvals in the future.

United States and foreign regulations may subject us to increased regulation costs, and possibly fines or restrictions on conducting our business. We are subject, directly or indirectly, to governmental regulations pertaining to the

following government agencies:

- 19 -

Department of Transportation

Our shipment of raw materials to our manufacturers will subject us to United States Department of Transportation regulations.

Federal Trade Commission

The product suppliers and manufacturers of our products, to the extent that they are involved in the manufacturing, processing, formulating, packaging, labeling and advertising of the products, may be subject to regulations by the Federal Trade Commission which may bring injunctive action to terminate the sale of such products, impose civil penalties, criminal prosecutions, product seizures, and voluntary recalls. Should we or our suppliers become subject to any such orders or actions, our brand name reputation and that of our suppliers and products will be adversely affected and our business would be negatively affected.

United States Customs Service

We are required to pay a 9% importation duty to the United States Customs Service on all finished goods, based upon our completed Stadium Pillow, ballcap, and jacket products, all containing "eliotex", which are sub-manufactured by a foreign based manufacturer, PT Lidya and Natalia located in Sidoarjo, Indonesia, and then imported into the United States. Because we purchase the eliotex from our affiliated entity, RMF Global, we are not required to pay an importation duty to the United States Customs Service on "eliotex"; however, our affiliate, RMF Global, is required to pay a 6.5% importation duty to the United States Customs Service for the importation of eliotex, regarding its importation of eliotex from South Korea or Indonesia from Mr. Kim, in accordance with RMF Global's agreement with Mr. Kim. RMF Global imports eliotex from South Korea because this is the location of his manufacturing facilities for eliotex. RMF Global imports eliotex from Indonesia because Mr. Kim has additional warehousing facilities to store eliotex in Indonesia

United States Department of Labor's Occupational Safety and Health Administration

Because our sub-manufacturers manufacture our completed products, we and our sub-manufacturers will be subject to the regulations of the United States Department of Labor's Occupational Safety and Health Administration.

We are not aware of any governmental regulations that will affect the Internet aspects of our business. However, due to increasing usage of the Internet, a number of laws and regulations may be adopted relating to the Internet covering user privacy, pricing, and characteristics and quality of products and services. Furthermore, the growth and development of Internet commerce may prompt more stringent consumer protection laws imposing additional burdens on those companies conducting business over the Internet. The adoption of any additional laws or regulations may decrease the growth of the Internet, which, in turn, could decrease the demand for Internet services and increase the cost of doing business on the Internet. These factors may have an adverse affect on our business, results of operations, and financial condition.

Moreover, the interpretation of sales tax, libel, and personal privacy laws applied to Internet commerce is uncertain and unresolved. We may be required to qualify to do business as a foreign corporation in each such state or foreign country. Our failure to qualify as a foreign corporation in a jurisdiction where we are required to do so could subject us to taxes and penalties. Any such existing or new legislation or regulation, including state sales tax, or the application of laws or regulations from jurisdictions whose laws do not currently apply to our

business, could have a material adverse affect on our business, results of operations and financial condition.

We currently have no costs associated with compliance with environmental regulations. Because we do not manufacture our products, but rather they are manufactured by our sub-manufacturers, we do not anticipate any costs associated with environmental compliance. Moreover, the delivery and distribution of our products will not involve substantial discharge of environmental pollutants. However, there can be no assurance that we will not incur such costs in the future.

We estimate that all of our revenues will be from the sale of our products. We will sell our products at prices above our original cost to produce our products. Prices for some of our products will be lower than similar products of our competitors, while others will be higher. We expect our product prices to be lower than network marketing companies, but higher compared with retail establishments that directly manufacture their own products.

Products that are sold directly by our website will be priced according to our Manufacturer Suggested Retail Prices. Our wholesale clients will purchase our products at our wholesale prices. We recommend that our retailer clients sell our products at the Manufacturer Suggested Retail Prices that we provide to them which are the same prices for products on our website; however, they are not required to do so and may price our products for retail sale at their discretion.

We currently have a total of 8 employees, 3 of which are full time employees and 5 of which are part time employees. Our full time employees are:

.

Joseph Riccelli, our Chief Executive Officer;

.

Joseph A. Riccelli, our Vice President; and

.

Gina Leone, our marketing employee.

We have the following part-time employees:

.

Frank Riccelli, our President;

.

Anthony Fonzi, our Chief Financial Officer/Chief Accounting Officer;

.

David Shondeck, our Director of Product Development Research; and

.

2 clerical/warehouse employees

We have no collective bargaining or employment agreements.

Reports and Other Information to Shareholders

We are subject to the informational requirements of the Securities Exchange Act of 1934. Accordingly, we file annual, quarterly and other reports and information with the Securities and Exchange Commission. You may read and copy these reports and other information we file at the Securities and Exchange Commission's public reference rooms in Washington, D.C., New York, New York, and Chicago, Illinois. Our filings are also available to the public from commercial document retrieval services and the Internet world wide website maintained by the Securities and Exchange Commission at www.sec.gov.

ITEM 7.

DESCRIPTION OF PROPERTY.

Since May 2002, we have maintained our executive offices of 1500 square feet at 223 North Main Street, Suite 1, Pittsburgh, Pennsylvania 15215. We share our office space with RMF Global which is owned by Joseph Riccelli, our Chief Executive Officer. We pay monthly rent of \$700.00 to Riccelli Properties, a property management firm owned by our Chief Executive Officer, Joseph Riccelli. RMF Global occupies these offices rent-free from Riccelli Properties. We have a verbal lease agreement with Riccelli Properties to pay Riccelli Properties \$700 per month. This verbal agreement further provides that we or Riccelli Properties may terminate this verbal lease at any time with 30 days written notice. Neither we nor RMF Global have any verbal or written agreement regarding these offices.

In October 2002, we arranged for the lease of warehouse space for our inventory and raw materials at 124 Cherry Street, Etna, Pennsylvania. This facility encompasses 13,000 square feet of storage space on the first floor and 2,000 square feet for our sales department offices located on the second floor. We have entered into a verbal agreement with the owner of the building, Frank Riccelli, who is also our President, and we pay \$2,600 per month for the space. This facility is composed of: (a) warehouse and storage areas including four (4) shipping bays and a distribution area consisting of square footage to store in upward of 250,000 finished goods products; and (b) four (4) offices, one (1) conference room, with presentation area and sample display and (2) bathrooms totaling approximately 2,000 square feet located on the second floor. The building in which our offices are located is owned by our President, Frank Riccelli, and is subject to a \$120,000 mortgage. We have a verbal agreement with our President, Frank Riccelli, to pay \$2,600 per month for the space on a month to month basis.

We do not own any property nor do we have any plans to own any property in the future. We do not intend to develop properties. We are not subject to competitive conditions for property and currently have no property to insure. We have no policy with respect to investments in real estate or interests in real estate and no policy with respect to investments in real estate mortgages. Further, we have no policy with respect to investments in securities of or interests in persons primarily engaged in real estate activities.

ITEM 8.

LEGAL PROCEEDINGS.

We are subject to dispute and litigation in the ordinary course of our business. None of these matters, in the opinion of our management, is material or likely to result in a material effect on us based upon information available at this time.

The Company became aware, by virtue of communication from certain of its customers and/or prospective customers, of their receipt of a letter from attorneys purporting to represent Elio Cattani, informing said parties that the Company

was infringing on a patent held by Mr. Cattan in its manufacture and use of products containing Eliotex. Said letter went on to threaten unspecified reprisals against any party that continued to so infringe, and further actively solicited the purchase of Eliotex from Mr. Cattan. No legal action was instituted by Mr. Cattan to support said allegations; the letters were mere recitations that the Company strongly believes are false, fraudulent and malicious.

In response, the Company caused to be filed a Declaratory Judgment Action in the United States District Court for the Western District of Pennsylvania at Case No. Cv04-0593 on April 20, 2004. In said Action, in which the Company was joined by RMF Global, Inc., the Company seeks:

- 22 -

(1)

a declaration that it did not infringe on U.S. Patent No. 6,083,999;

(2)

a declaration that said patent is invalid and unenforceable;

(3)

a declaration that the plaintiffs have not infringed on the Eliotex trademark;

(4)

an injunction prohibiting any further tortious interference with the Company's business and contractual relations; and

(5)

an injunction prohibiting any further engaging in unfair competition.

Without answering or denying any of the Company's allegations, Mr. Cattan sought to stay the District Court proceedings, pending an arbitration proceeding to determine the merits of the dispute among the parties. That Motion was granted by the Court. A subsequent Motion was filed by the Company, seeking to dismiss any claims the Court might find to be arbitrable, and lift the stay with respect to the remaining claims so that Mr. Cattan's allegations may be subject to the scrutiny of a court of law. That Motion was denied by the Court.

The Company is of the strong opinion and belief, as is its counsel, that the District Court has erred in its interpretation of both the facts and the law in this case, and is in the process of taking an appeal of Judge Schwab's Orders before the Third Circuit Court of Appeals of the United States District Court. The Company is confident of its position, and the likelihood of its success on the merits, and views the actions of Mr. Cattan as desperate delay tactics designed to enable him to attempt the perpetuation of a fraud upon both the Company and its customers and prospective customers.

The Company has also instructed its counsel to take all actions necessary and proper to protect the interests of both the Company, its shareholders and all other entities and individuals with which it conducts business.

ITEM 9.

MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.

Market Information

Below is the market information pertaining to the range of the high and low bid information of our common stock for each quarter since our common stock has been quoted on the OTC Bulletin Board. Our common stock is quoted on the OTC Bulletin Board under the symbol IVDN. The quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not represent actual transactions.

2004	Low	High
Fourth Quarter	\$.25	\$ 1.05
Third Quarter	\$.80	\$ 1.35
Second Quarter	\$.90	\$ 2.05
First Quarter	\$ 1.05	\$ 3.00

2003	Low	High
Fourth Quarter	\$ 3.00	\$ 3.00
Third Quarter	\$.00	\$.00
Second Quarter	\$.00	\$.00
First Quarter	\$.00	\$.00

2002	Low	High
Fourth Quarter	\$.00	\$.00
Third Quarter	\$.00	\$.00
Second Quarter	\$.00	\$.00
First Quarter	\$.00	\$.00

- 23 -

The source of the above data is <http://finance.yahoo.com>.

No regular trading market exists for our common stock and there is no assurance that a regular trading market will develop, or if developed will be sustained. A shareholder in all likelihood, therefore, will not be able to resell their securities should he or she desire to do so when eligible for public resales. Furthermore, it is unlikely that a lending institution will accept our securities as pledged collateral for loans unless a regular trading market develops.

Holder.

As of January 7, 2005, we had 147 holders of record of our common stock. We have one class of stock outstanding. We have no shares of our preferred stock outstanding. As of January 7, 2005, there were 4,197,125 shares of our stock held by non-affiliates and 12,869,500 shares of our stock held by affiliates that Rule 144 of the Securities Act of

1933, defines as restricted securities.

Options.

We have no shares of our common equity that are subject to outstanding options to purchase.

Penny Stock Considerations.

Our shares are "penny stocks" as that term is generally defined in the Securities Exchange Act of 1934 as equity securities with a price of less than \$5.00. Our shares may be subject to rules that impose sales practice and disclosure requirements on broker-dealers who engage in certain transactions involving a penny stock.

Under the penny stock regulations, a broker-dealer selling a penny stock to anyone other than an established customer or "accredited investor" must make a special suitability determination regarding the purchaser and must receive the purchaser's written consent to the transaction prior to the sale, unless the broker-dealer is otherwise exempt. Generally, an individual with a net worth in excess of \$1,000,000 or annual income exceeding \$200,000 individually or \$300,000 together with his or her spouse is considered an accredited investor. In addition, under the penny stock regulations the broker-dealer is required to:

.
Deliver, prior to any transaction involving a penny stock, a disclosure schedule prepared by the Securities and Exchange Commission relating to the penny stock market, unless the broker-dealer or the transaction is otherwise exempt;

.
Disclose commissions payable to the broker-dealer and its registered representatives and current bid and offer quotations for the securities;

.
Send monthly statements disclosing recent price information pertaining to the penny stock held in a customer's account, the account's value and information regarding the limited market in penny stocks; and

Make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser's written agreement to the transaction, prior to conducting any penny stock transaction in the customer's account.

Because of these regulations, broker-dealers may encounter difficulties in their attempt to sell shares of our stock, which may affect the ability of shareholders or other holders to sell their shares in the secondary market and have the effect of reducing the level of trading activity in the secondary market. These additional sales practice and disclosure requirements could impede

- 24 -

the sale of our securities if our securities become publicly traded. In addition, the liquidity for our securities may be adversely affected, with a corresponding decrease in the price of our securities. Our shares may someday be subject to such penny stock rules and our shareholders will, in all likelihood, find it difficult to sell their securities.

Dividends.

We have not declared any cash dividends on our stock since our inception and do not anticipate paying such dividends in the foreseeable future. We plan to retain any future earnings for use in our business. Any decisions as to future payment of dividends will depend on our earnings and financial position and such other factors as the Board of Directors deems relevant.

Securities Authorized for Issuance under Equity Compensation Plans.

EQUITY COMPENSATION PLAN INFORMATION

Number of
securities
remaining
available for
future

Number of

issuance

securities to be

Weighted-

under equity

issued upon

average exercise

compensation

exercise of

price of

plans

outstanding

outstanding

(excluding

options, warrants

options, warrants

reflected in

Plan category

and rights

and rights

column (a))

(a)

(b)

(c)

Equity

compensation

plans

approved by

security

holders

\$ 400,000

\$ 1.70

(2)

\$180,000 (1)

(1)

The Company has issued an additional 166,000 shares of its stock to various consultants in exchange for past and future services. The weight average price per share was \$0.67.

(2)

Weighted average price was based on the market value of the shares on or about the date the service was performed. Market value of the price per share ranged from \$2.00 to \$1.20 per share over the period of time in which the various services were performed.

(3)

All stock that has been issued by the Company out of the equity compensation plan was for the exchange of professional services. No shares were sold for cash.

- 25 -

Recent Sales of Unregistered Securities.

On June 26, 2002, we issued 2,000,000 shares of our stock to our President, Frank Riccelli, in payment for services rendered to us as our President. The shares issued to Frank Riccelli were valued at a price of \$0.0001 per share, or an aggregate price of \$200. We relied upon Section 4(2) of the Act for the sale. We believed that Section 4(2) was available because the sale did not involve a public offering and there was no general solicitation or general advertising involved in the sale. Frank Riccelli, our Officer and Director, represented to us that he was purchasing the shares for investment purposes without a view towards resale. We placed legends on the stock certificates stating that the securities were not registered under the Securities Act and set forth the restrictions on their transferability and sale.

On June 26, 2002, we issued 18,000 shares of our stock to our Chief Financial Officer and Director, Anthony Fonzi, in payment for services rendered to us as our Chief Financial Officer. The shares issued to Anthony Fonzi were valued at a price of \$0.75 per share, or an aggregate price of \$13,500. We relied upon Section 4(2) of the Act for the sale. We believed that Section 4(2) was available because the sale did not involve a public offering and there was no general solicitation or general advertising involved in the sale. Anthony Fonzi, our Officer and Director, represented to us that he was purchasing the shares for investment purposes without a view towards resale. We placed legends on the stock certificates stating that the securities were not registered under the Securities Act and set forth the restrictions on their transferability and sale.

On June 26, 2002, we issued 45,000 shares of our stock to our Board of Director member, Robert D. Monsour, in payment for services rendered to us as our Board of Director member. The shares issued to Robert D. Monsour were valued at a price of \$0.75 per share, or an aggregate price of \$33,750. We relied upon Section 4(2) of the Act for the sale. We believed that Section 4(2) was available because the sale did not involve a public offering and there was no general solicitation or general advertising involved in the sale. Robert D. Monsour, our Director, represented to us that he was purchasing the shares for investment purposes without a view towards resale. We placed legends on the stock certificates stating that the securities were not registered under the Securities Act and set forth the restrictions on their transferability and sale.

On June 26, 2002, we issued 22,500 shares of our stock to our Board of Director member, Dean Kolocouris, in payment for services rendered to us as our Board of Director member. The shares issued to Dean Kolocouris were valued at a price of \$0.75 per share, or an aggregate price of \$16,875. We relied upon Section 4(2) of the Act for the sale. We believed that Section 4(2) was available because the sale did not involve a public offering and there was no general solicitation or general advertising involved in the sale. Dean Kolocouris, our Director, represented to us that he was purchasing the shares for investment purposes without a view towards resale. We placed legends on the stock certificates stating that the securities were not registered under the Securities Act and set forth the restrictions on their transferability and sale.

On June 26, 2002, we issued 63,000 shares of our stock to our Board of Director member, Dominic Cerniglia, in payment for services rendered to us as our Board of Director member. The shares issued to Dominic Cerniglia were valued at a price of \$0.75 per share, or an aggregate price of \$47,250. We relied upon Section 4(2) of the Act for the sale. We believed that Section 4(2) was available because the sale did not involve a public offering and there was no

general solicitation or general advertising involved in the sale. Dominic Cerniglia, our Director, represented to us that he was purchasing the shares for investment purposes without a view towards resale. We placed legends on the stock certificates stating that the securities were not registered under the Securities Act and set forth the restrictions on their transferability and sale.

- 26 -

On June 26, 2002, we issued 740,000 shares of our stock to our Vice President, Joseph A. Riccelli, in payment for services rendered to us as our Vice President. The shares issued to Joseph A. Riccelli were valued at a price of \$0.0001 per share, or an aggregate price of \$74. We relied upon Section 4(2) of the Act for the sale. We believed that Section 4(2) was available because the sale did not involve a public offering and there was no general solicitation or general advertising involved in the sale. Joseph A. Riccelli, our Vice President, represented to us that he was purchasing the shares for investment purposes without a view towards resale. We placed legends on the stock certificates stating that the securities were not registered under the Securities Act and set forth the restrictions on their transferability and sale.

On June 26, 2002, we issued 740,000 shares of our stock to our consultant, Gino M. Riccelli, in payment for services rendered to us as our technology business consultant. The shares issued to Gino M. Riccelli were valued at a price of \$0.0001 per share, or an aggregate price of \$74. We relied upon Section 4(2) of the Act for the sale. We believed that Section 4(2) was available because the sale did not involve a public offering and there was no general solicitation or general advertising involved in the sale. Gino M. Riccelli had a pre-existing relationship with Joseph Riccelli, our Officer and Director. Gino M. Riccelli represented to us that he was purchasing the shares for investment purposes without a view towards resale. We placed legends on the stock certificates stating that the securities were not registered under the Securities Act and set forth the restrictions on their transferability and sale.

On June 26, 2002, we issued 10,400,000 shares of our stock to our Chief Executive Officer, Joseph Riccelli, in payment for services rendered to us as our Chief Executive Officer. The shares issued to Joseph Riccelli were valued at a price of \$0.0001 per share, or an aggregate price of \$1,040. We relied upon Section 4(2) of the Act for the sale. We believed that Section 4(2) was available because the sale did not involve a public offering and there was no general solicitation or general advertising involved in the sale. Joseph Riccelli, our Chief Executive Officer, represented to us that he was purchasing the shares for investment purposes without a view towards resale. We placed legends on the stock certificates stating that the securities were not registered under the Securities Act and set forth the restrictions on their transferability and sale.

On August 29, 2002, we sold 450 shares of our stock to Dominic Cerniglia, our Director, for a price of \$2.00 per share or \$900. We relied upon Section 4(2) of the Act for the sale. We believed that Section 4(2) was available because the sale did not involve a public offering and there was no general solicitation or general advertising involved in the sale. Dominic Cerniglia, our Director, represented to us that he was purchasing the shares for investment purposes without a view towards resale. We placed legends on the stock certificates stating that the securities were not registered under the Securities Act and set forth the restrictions on their transferability and sale.

On September 2, 2002, we sold 3,600 shares of our stock to Dean Kolocouris, our Director, for a price of \$2.00 per share or \$7,200. We relied upon Section 4(2) of the Act for the sale. We believed that Section 4(2) was available because the sale did not involve a public offering and there was no general solicitation or general advertising involved in the sale. Dean Kolocouris, our Director, represented to us that he was purchasing the shares for investment purposes without a view towards resale. We placed legends on the stock certificates stating that the securities were not registered under the Securities Act and set forth the restrictions on their transferability and sale.

On September 26, 2002, we sold 2,250 shares of our stock to Anthony Cerniglia, for a price of \$2.00 per share or \$4,500. We relied upon Section 4(2) of the Act for the sale. We believed that Section 4(2) was available because the sale did not involve a public offering and there was

- 27 -

no general solicitation or general advertising involved in the sale. Anthony Cerniglia had a pre-existing relationship with Joseph Riccelli, our Officer and Director. Anthony Cerniglia represented to us that he was purchasing the shares for investment purposes without a view towards resale. We placed legends on the stock certificates stating that the securities were not registered under the Securities Act and set forth the restrictions on their transferability and sale.

On December 6, 2002, we sold 4,000 shares of our stock to Geoffrey B. Monsour, for a price of \$2.00 per share or \$8,000. We relied upon Section 4(2) of the Act for the sale. We believed that Section 4(2) was available because the sale did not involve a public offering and there was no general solicitation or general advertising involved in the sale. Geoffrey B. Monsour had a pre-existing relationship with Joseph Riccelli, our Officer and Director. Geoffrey B. Monsour represented to us that he was purchasing the shares for investment purposes without a view towards resale. We placed legends on the stock certificates stating that the securities were not registered under the Securities Act and set forth the restrictions on their transferability and sale.

On September 15, 2003, we sold 10,000 shares of our stock to Stephen D. Seitz, for a price of \$2.00 per share or \$20,000. We relied upon Section 4(2) of the Act for the sale. We believed that Section 4(2) was available because the sale did not involve a public offering and there was no general solicitation or general advertising involved in the sale. Stephen D. Seitz had a pre-existing relationship with Joseph Riccelli, our Officer and Director. Stephen D. Seitz represented to us that he was purchasing the shares for investment purposes without a view towards resale. We placed legends on the stock certificates stating that the securities were not registered under the Securities Act and set forth the restrictions on their transferability and sale.

On September 16, 2003, we sold 2,500 shares of our stock to James and Joann Gould, for a price of \$2.00 per share or \$5,000. We relied upon Section 4(2) of the Act for the sale. We believed that Section 4(2) was available because the sale did not involve a public offering and there was no general solicitation or general advertising involved in the sale. James and Joann Gould had a pre-existing relationship with Joseph Riccelli, our Officer and Director. James and Joann Gould represented to us that they were purchasing the shares for investment purposes without a view towards resale. We placed legends on the stock certificates stating that the securities were not registered under the Securities Act and set forth the restrictions on their transferability and sale.

On September 16, 2003, we sold 15,000 shares of our stock to Robert Giarusso, for a price of \$2.00 per share or \$30,000. We relied upon Section 4(2) of the Act for the sale. We believed that Section 4(2) was available because the sale did not involve a public offering and there was no general solicitation or general advertising involved in the sale. Robert Giarusso had a pre-existing relationship with Joseph Riccelli, our Officer and Director. Robert Giarusso represented to us that he was purchasing the shares for investment purposes without a view towards resale. We placed legends on the stock certificates stating that the securities were not registered under the Securities Act and set forth the restrictions on their transferability and sale.

On September 16, 2003, we sold 1,000 shares of our stock to Wayne Dennis, for a price of \$2.00 per share or \$2,000. We relied upon Section 4(2) of the Act for the sale. We believed that Section 4(2) was available because the sale did not involve a public offering and there was no general solicitation or general advertising involved in the sale. Wayne Dennis had a pre-existing relationship with Joseph Riccelli, our Officer and Director. Wayne Dennis represented to us that he was purchasing the shares for investment purposes without a view towards resale. We placed legends on the stock certificates stating that the securities were not registered under the Securities Act and set forth the restrictions on their transferability and sale.

On September 16, 2003, we sold 3,000 shares of our stock to David Holzer, for a price of \$2.00 per share or \$6,000. We relied upon Section 4(2) of the Act for the sale. We believed that Section 4(2) was available because the sale did not involve a public offering and there was no general solicitation or general advertising involved in the sale. David Holzer had a pre-existing relationship with Joseph Riccelli, our Officer and Director. David Holzer represented to us that he was purchasing the shares for investment purposes without a view towards resale. We placed legends on the stock certificates stating that the securities were not registered under the Securities Act and set forth the restrictions on their transferability and sale.

On September 16, 2003, we issued 450,000 shares of our stock to legal counsel, Hamilton, Lehrer, and Dargan, PA, in payment for legal services rendered to us. We relied upon Section 4(2) of the Act for the sale. We believed that Section 4(2) was available because the sale did not involve a public offering.

On September 19, 2003, we sold 2,500 shares of our stock to John Spagnolo, Jr., for a price of \$2.00 per share or \$5,000. We relied upon Section 4(2) of the Act for the sale. We believed that Section 4(2) was available because the sale did not involve a public offering and there was no general solicitation or general advertising involved in the sale. John Spagnolo, Jr. had a pre-existing relationship with Joseph Riccelli, our Officer and Director. John Spagnolo, Jr. represented to us that he was purchasing the shares for investment purposes without a view towards resale. We placed legends on the stock certificates stating that the securities were not registered under the Securities Act and set forth the restrictions on their transferability and sale.

On September 24, 2003, we sold 250 shares of our stock to Bonnie Weissinger, for a price of \$2.00 per share or \$500. We relied upon Section 4(2) of the Act for the sale. We believed that Section 4(2) was available because the sale did not involve a public offering and there was no general solicitation or general advertising involved in the sale. Bonnie Weissinger had a pre-existing relationship with Joseph Riccelli, our Officer and Director. Bonnie Weissinger represented to us that she was purchasing the shares for investment purposes without a view towards resale. We placed legends on the stock certificates stating that the securities were not registered under the Securities Act and set forth the restrictions on their transferability and sale.

On September 24, 2003, we sold 250 shares of our stock to J. Wood Weissinger, for a price of \$2.00 per share or \$500. We relied upon Section 4(2) of the Act for the sale. We believed that Section 4(2) was available because the sale did not involve a public offering and there was no general solicitation or general advertising involved in the sale. J. Wood Weissinger had a pre-existing relationship with Joseph Riccelli, our Officer and Director. J. Wood Weissinger represented to us that he was purchasing the shares for investment purposes without a view towards resale. We placed legends on the stock certificates stating that the securities were not registered under the Securities Act and set forth the restrictions on their transferability and sale.

On September 25, 2003, we sold 100 shares of our stock to Grady L. Hill, for a price of \$2.00 per share or \$200. We relied upon Section 4(2) of the Act for the sale. We believed that Section 4(2) was available because the sale did not involve a public offering and there was no general solicitation or general advertising involved in the sale. Grady L. Hill had a pre-existing relationship with Joseph Riccelli, our Officer and Director. Grady L. Hill represented to us that he was purchasing the shares for investment purposes without a view towards resale. We placed legends on the stock

certificates stating that the securities were not registered under the Securities Act and set forth the restrictions on their transferability and sale.

On September 26, 2003, we sold 4,000 shares of our stock to Carol Yenchik, for a price of \$2.00 per share or \$8,000. We relied upon Section 4(2) of the Act for the sale. We believed that Section 4(2) was available because the sale did not involve a public offering and there was no general solicitation or general advertising involved in the sale. Carol Yenchik had a pre-existing

- 29 -

relationship with Joseph Riccelli, our Officer and Director. Carol Yenchik represented to us that she was purchasing the shares for investment purposes without a view towards resale. We placed legends on the stock certificates stating that the securities were not registered under the Securities Act and set forth the restrictions on their transferability and sale.

On September 26, 2003, we sold 1,000 shares of our stock to Darla Oliastro, for a price of \$2.00 per share or \$2,000. We relied upon Section 4(2) of the Act for the sale. We believed that Section 4(2) was available because the sale did not involve a public offering and there was no general solicitation or general advertising involved in the sale. Darla Oliastro had a pre-existing relationship with Joseph Riccelli, our Officer and Director. Darla Oliastro represented to us that she was purchasing the shares for investment purposes without a view towards resale. We placed legends on the stock certificates stating that the securities were not registered under the Securities Act and set forth the restrictions on their transferability and sale.

On September 26, 2003, we sold 1,000 shares of our stock to Christopher Oliastro, for a price of \$2.00 per share or \$2,000. We relied upon Section 4(2) of the Act for the sale. We believed that Section 4(2) was available because the sale did not involve a public offering and there was no general solicitation or general advertising involved in the sale. Christopher Oliastro had a pre-existing relationship with Joseph Riccelli, our Officer and Director. Christopher Oliastro represented to us that he was purchasing the shares for investment purposes without a view towards resale. We placed legends on the stock certificates stating that the securities were not registered under the Securities Act and set forth the restrictions on their transferability and sale.

On September 26, 2003, we sold 1,000 shares of our stock to John A. Wasuchno, for a price of \$2.00 per share or \$2,000. We relied upon Section 4(2) of the Act for the sale. We believed that Section 4(2) was available because the sale did not involve a public offering and there was no general solicitation or general advertising involved in the sale. John A. Wasuchno had a pre-existing relationship with Joseph Riccelli, our Officer and Director. John A. Wasuchno represented to us that he was purchasing the shares for investment purposes without a view towards resale. We placed legends on the stock certificates stating that the securities were not registered under the Securities Act and set forth the restrictions on their transferability and sale.

On September 26, 2003, we sold 500 shares of our stock to Justin Oliastro, for a price of \$2.00 per share or \$1,000. We relied upon Section 4(2) of the Act for the sale. We believed that Section 4(2) was available because the sale did

not involve a public offering and there was no general solicitation or general advertising involved in the sale. Justin Oliastro had a pre-existing relationship with Joseph Riccelli, our Officer and Director. Justin Oliastro represented to us that he was purchasing the shares for investment purposes without a view towards resale. We placed legends on the stock certificates stating that the securities were not registered under the Securities Act and set forth the restrictions on their transferability and sale.

On September 26, 2003, we sold 200 shares of our stock to Harry J. Hilty, for a price of \$2.00 per share or \$400. We relied upon Section 4(2) of the Act for the sale. We believed that Section 4(2) was available because the sale did not involve a public offering and there was no general solicitation or general advertising involved in the sale. Harry J. Hilty had a pre-existing relationship with Joseph Riccelli, our Officer and Director. Harry J. Hilty represented to us that he was purchasing the shares for investment purposes without a view towards resale. We placed legends on the stock certificates stating that the securities were not registered under the Securities Act and set forth the restrictions on their transferability and sale.

On October 1, 2003, we sold 11,000 shares of our stock to Anthony Fazio, for a price of \$2.00 per share or \$22,000. We relied upon Section 4(2) of the Act for the sale. We believed that Section 4(2) was available because the sale did not involve a public offering and there was no general solicitation or general advertising involved in the sale. Anthony Fazio had a pre-existing

- 30 -

relationship with Joseph Riccelli, our Officer and Director. Anthony Fazio represented to us that he was purchasing the shares for investment purposes without a view towards resale. We placed legends on the stock certificates stating that the securities were not registered under the Securities Act and set forth the restrictions on their transferability and sale.

On October 1, 2003, we sold 500 shares of our stock to Daniel C. Hudock, for a price of \$2.00 per share or \$1,000. We relied upon Section 4(2) of the Act for the sale. We believed that Section 4(2) was available because the sale did not involve a public offering and there was no general solicitation or general advertising involved in the sale. Daniel C. Hudock had a pre-existing relationship with Joseph Riccelli, our Officer and Director. Daniel C. Hudock represented to us that he was purchasing the shares for investment purposes without a view towards resale. We placed legends on the stock certificates stating that the securities were not registered under the Securities Act and set forth the restrictions on their transferability and sale.

On October 6, 2003, we sold 2,000 shares of our stock to Kathleen and Albert Panza, for a price of \$2.00 per share or \$4,000. We relied upon Section 4(2) of the Act for the sale. We believed that Section 4(2) was available because the sale did not involve a public offering and there was no general solicitation or general advertising involved in the sale. Kathleen and Albert Panza had a pre-existing relationship with Joseph Riccelli, our Officer and Director. Kathleen and Albert Panza represented to us that they were purchasing the shares for investment purposes without a view towards resale. We placed legends on the stock certificates stating that the securities were not registered under the Securities Act and set forth the restrictions on their transferability and sale.

On October 10, 2003, we sold 1,000 shares of our stock to William A. Perry, for a price of \$2.00 per share or \$2,000. We relied upon Section 4(2) of the Act for the sale. We believed that Section 4(2) was available because the sale did not involve a public offering and there was no general solicitation or general advertising involved in the sale. William A. Perry had a pre-existing relationship with Joseph Riccelli, our Officer and Director. William A. Perry represented to us that he was purchasing the shares for investment purposes without a view towards resale. We placed legends on the stock certificates stating that the securities were not registered under the Securities Act and set forth the restrictions on their transferability and sale.

On October 11, 2003, we sold 5,000 shares of our stock to Eric Jerpe, for a price of \$2.00 per share or \$10,000. We relied upon Section 4(2) of the Act for the sale. We believed that Section 4(2) was available because the sale did not involve a public offering and there was no general solicitation or general advertising involved in the sale. Eric Jerpe had a pre-existing relationship with Joseph Riccelli, our Officer and Director. Eric Jerpe represented to us that he was purchasing the shares for investment purposes without a view towards resale. We placed legends on the stock certificates stating that the securities were not registered under the Securities Act and set forth the restrictions on their transferability and sale.

On October 12, 2003, we sold 500 shares of our stock to Raymond A. Stevens, for a price of \$2.00 per share or \$1,000. We relied upon Section 4(2) of the Act for the sale. We believed that Section 4(2) was available because the sale did not involve a public offering and there was no general solicitation or general advertising involved in the sale. Raymond A. Stevens had a pre-existing relationship with Joseph Riccelli, our Officer and Director. Raymond A. Stevens represented to us that he was purchasing the shares for investment purposes without a view towards resale. We placed legends on the stock certificates stating that the securities were not registered under the Securities Act and set forth the restrictions on their transferability and sale.

On October 15, 2003, we sold 1,000 shares of our stock to Marina Posvar, for a price of \$2.00 per share or \$2,000. We relied upon Section 4(2) of the Act for the sale. We believed that Section 4(2) was available because the sale did not involve a public offering and there was no

- 31 -

general solicitation or general advertising involved in the sale. Marina Posvar had a pre-existing relationship with Joseph Riccelli, our Officer and Director. Marina Posvar represented to us that she was purchasing the shares for investment purposes without a view towards resale. We placed legends on the stock certificates stating that the securities were not registered under the Securities Act and set forth the restrictions on their transferability and sale.

On October 15, 2003, we sold 500 shares of our stock to Mildred M. Posvar, for a price of \$2.00 per share or \$1,000. We relied upon Section 4(2) of the Act for the sale. We believed that Section 4(2) was available because the sale did not involve a public offering and there was no general solicitation or general advertising involved in the sale. Mildred M. Posvar had a pre-existing relationship with Joseph Riccelli, our Officer and Director. Mildred M. Posvar represented to us that she was purchasing the shares for investment purposes without a view towards resale. We placed legends on the stock certificates stating that the securities were not registered under the Securities Act and set forth the restrictions on their transferability and sale.

On October 23, 2003, we sold 2,000 shares of our stock to Daniel J. Upham, for a price of \$2.00 per share or \$4,000. We relied upon Section 4(2) of the Act for the sale. We believed that Section 4(2) was available because the sale did not involve a public offering and there was no general solicitation or general advertising involved in the sale. Daniel J. Upham had a pre-existing relationship with Joseph Riccelli, our Officer and Director. Daniel J. Upham represented to us that he was purchasing the shares for investment purposes without a view towards resale. We placed legends on the stock certificates stating that the securities were not registered under the Securities Act and set forth the restrictions on their transferability and sale.

On October 23, 2003, we sold 5,000 shares of our stock to Robert Giarusso, for a price of \$2.00 per share or \$10,000. We relied upon Section 4(2) of the Act for the sale. We believed that Section 4(2) was available because the sale did not involve a public offering and there was no general solicitation or general advertising involved in the sale. Robert Giarusso had a pre-existing relationship with Joseph Riccelli, our Officer and Director. Robert Giarusso represented to us that he was purchasing the shares for investment purposes without a view towards resale. We placed legends on the stock certificates stating that the securities were not registered under the Securities Act and set forth the restrictions on their transferability and sale.

On October 23, 2003, we sold 2,500 shares of our stock to Guy R. Leone, M.D., for a price of \$2.00 per share or \$5,000. We relied upon Section 4(2) of the Act for the sale. We believed that Section 4(2) was available because the sale did not involve a public offering and there was no general solicitation or general advertising involved in the sale. Guy R. Leone, M.D. had a pre-existing relationship with Joseph Riccelli, our Officer and Director. Guy R. Leone, M.D. represented to us that he was purchasing the shares for investment purposes without a view towards resale. We placed legends on the stock certificates stating that the securities were not registered under the Securities Act and set forth the restrictions on their transferability and sale.

On November 14, 2003, we sold 500 shares of our stock to Bradford and Kendra Herlehy, for a price of \$2.00 per share or \$1,000. We relied upon Section 4(2) of the Act for the sale. We believed that Section 4(2) was available because the sale did not involve a public offering and there was no general solicitation or general advertising involved in the sale. Bradford and Kendra Herlehy had a pre-existing relationship with Joseph Riccelli, our Officer and Director. Bradford and Kendra Herlehy represented to us that they were purchasing the shares for investment purposes without a view towards resale. We placed legends on the stock certificates stating that the securities were not registered under the Securities Act and set forth the restrictions on their transferability and sale.

On November 15, 2003, we sold 7,950 shares of our stock to Peter E. Tyra, for a price of \$2.00 per share or \$15,900. We relied upon Section 4(2) of the Act for the sale. We believed that Section 4(2) was available because the sale did not involve a public offering and there was no general solicitation or general advertising involved in the sale. Peter E. Tyra had a pre-existing relationship with Joseph Riccelli, our Officer and Director. Peter E. Tyra represented to us that he was purchasing the shares for investment purposes without a view towards resale. We placed legends on the stock certificates stating that the securities were not registered under the Securities Act and set forth the restrictions on their transferability and sale.

On November 15, 2003, we sold 2,000 shares of our stock to George DeBruhl, for a price of \$2.00 per share or \$4,000. We relied upon Section 4(2) of the Act for the sale. We believed that Section 4(2) was available because the sale did not involve a public offering and there was no general solicitation or general advertising involved in the sale. George DeBruhl had a pre-existing relationship with Joseph Riccelli, our Officer and Director. George DeBruhl represented to us that he was purchasing the shares for investment purposes without a view towards resale. We placed legends on the stock certificates stating that the securities were not registered under the Securities Act and set forth the restrictions on their transferability and sale.

On November 19, 2003, we sold 2,500 shares of our stock to Barbara K. James, for a price of \$2.00 per share or \$5,000. We relied upon Section 4(2) of the Act for the sale. We believed that Section 4(2) was available because the sale did not involve a public offering and there was no general solicitation or general advertising involved in the sale. Barbara K. James had a pre-existing relationship with Joseph Riccelli, our Officer and Director. Barbara K. James represented to us that she was purchasing the shares for investment purposes without a view towards resale. We placed legends on the stock certificates stating that the securities were not registered under the Securities Act and set forth the restrictions on their transferability and sale.

On November 21, 2003, we sold 500 shares of our stock to Sean E. McGuire, for a price of \$2.00 per share or \$1,000. We relied upon Section 4(2) of the Act for the sale. We believed that Section 4(2) was available because the sale did not involve a public offering and there was no general solicitation or general advertising involved in the sale. Sean E. McGuire had a pre-existing relationship with Joseph Riccelli, our Officer and Director. Sean E. McGuire represented to us that he was purchasing the shares for investment purposes without a view towards resale. We placed legends on the stock certificates stating that the securities were not registered under the Securities Act and set forth the restrictions on their transferability and sale.

On November 22, 2003, we sold 500 shares of our stock to Sandra G. DaVane, for a price of \$2.00 per share or \$1,000. We relied upon Section 4(2) of the Act for the sale. We believed that Section 4(2) was available because the sale did not involve a public offering and there was no general solicitation or general advertising involved in the sale. Sandra G. DaVane had a pre-existing relationship with Joseph Riccelli, our Officer and Director. Sandra G. DaVane represented to us that she was purchasing the shares for investment purposes without a view towards resale. We placed legends on the stock certificates stating that the securities were not registered under the Securities Act and set forth the restrictions on their transferability and sale.

Edgar Filing: INNOVATIVE DESIGNS INC - Form 10KSB

On November 25, 2003, we issued 100,000 shares of our stock to Arnold Palmer Revocable Trust in exchange for Arnold Palmer's consulting services rendered to us pertaining to the design and development of certain of our apparel, and product related promotional services rendered to us. We valued these shares at approximately \$2.00 per share or an aggregate of \$200,000.

On November 25, 2003, we issued 150,000 shares of our stock to Anthony Dorsett in exchange for conducting certain licensing agreement negotiations pertaining to our idigear products. We valued these shares at approximately \$2.00 per share or an aggregate of \$300,000.

- 33 -

Edgar Filing: INNOVATIVE DESIGNS INC - Form 10KSB

On November 25, 2003, we issued 50,000 shares of our stock to Dianne C. Roffe in exchange for developing, designing, and endorsing current and future products, and for providing on-location product promotional services. We valued these shares at approximately \$2.00 per share or an aggregate of \$100,000.

On November 25, 2003, we issued 50,000 shares of our stock to Daniel P. Rains in exchange for product promotions and on-location promotional event services rendered to us. We valued these shares at approximately \$2.00 per share or an aggregate of \$100,000.

On November 25, 2003, we issued 5,000 shares of our stock to Rodney Clark in exchange for consulting in the design and product testing of our hunting apparel, and for conducting license agreement related negotiations with Haas Outdoors, Inc. We valued these shares at approximately \$2.00 per share or an aggregate of \$10,000.

On November 25, 2003, we issued 10,000 shares of our stock to Robert Korbe, in exchange for past and future consulting services pertaining to inventory control, warehouse services, and a shipping program with freight carriers. We valued these shares at approximately \$2.00 per share or an aggregate of \$20,000.

On November 25, 2003, we issued 10,000 shares of our stock to Anthony Fazio, in exchange for providing construction modifications and improvements to our facility. We valued these shares at approximately \$2.00 per share or an aggregate of \$20,000.

On November 25, 2003, we issued 5,000 shares of our stock to John Spagnola, Jr. in exchange for technical services rendered to us pertaining to the installation of our network and Internet access system. We valued these shares at approximately \$2.00 per share or an aggregate of \$10,000.

On December 10, 2003, we sold 1,500 shares of our stock to Shirley Komack, for a price of \$2.00 per share or \$3,000. We relied upon Section 4(2) of the Act for the sale. We believed that Section 4(2) was available because the sale did not involve a public offering and there was no general solicitation or general advertising involved in the sale. Shirley Komack had a pre-existing relationship with Joseph Riccelli, our Officer and Director. Shirley Komack represented to us that she was purchasing the shares for investment purposes without a view towards resale. We placed legends on the stock certificates stating that the securities were not registered under the Securities Act and set forth the restrictions on their transferability and sale.

On December 13, 2003, we sold 3,000 shares of our stock to Nick E. Novak, for a price of \$2.00 per share or \$6,000. We relied upon Section 4(2) of the Act for the sale. We believed that Section 4(2) was available because the sale did not involve a public offering and there was no general solicitation or general advertising involved in the sale. Nick E. Novak had a pre-existing relationship with Joseph Riccelli, our Officer and Director. Nick E. Novak represented to us that he was purchasing the shares for investment purposes without a view towards resale. We placed legends on the

stock certificates stating that the securities were not registered under the Securities Act and set forth the restrictions on their transferability and sale.

On December 31, 2003, we issued 5,000 shares of our stock to Thomas Ciancutti in exchange for product promotions and on-location promotional event services. We valued these shares at approximately \$2.00 per share or an aggregate of \$10,000.

On December 31, 2003, we issued 560,000 shares of our stock to the Altavilla Family Trust in exchange for investor relations related consulting services. We valued these shares at approximately \$2.00 per share or an aggregate of \$1,120,000.

Edgar Filing: INNOVATIVE DESIGNS INC - Form 10KSB

On December 31, 2003, we issued 120,000 shares of our stock to Marlin Molinaro in exchange for investor relations related consulting services. We valued these shares at approximately \$2.00 per share or an aggregate of \$240,000.

On December 31, 2003, we issued 120,000 shares of our stock to Thomas Ciancutti in exchange for investor related consulting services. We valued these shares at approximately \$2.00 per share or an aggregate of \$240,000.

On April 1, 2004, we sold 50,000 shares of our stock to Anthony J. Kesslak for a price of \$1.00 per share or \$100,000. We relied upon Section 4(2) of the Act for the sale. We believed that Section 4 (2) was available because the sale did not involve a public offering and there was no general solicitation or general advertising involved in the sale. Anthony J. Kesslak had a pre-existing relationship with Joseph Riccelli, our Officer and Director. Anthony J. Kesslak represented to us that he was purchasing the shares for investment purposes without a view towards resale. We placed legends on the stock certificates stating that the securities were not registered under the Securities Act and set forth the restrictions on their transferability and sale.

On June 2, 2004, we issued 100,000 shares of our stock to our consultant Bulldog Financial, Inc. in exchange for past and future investment consulting services. On July 23, 2004, these shares were cancelled for nonperformance of these services.

On June 2, 2004, we sold 33,000 shares of our stock to Patrick E. Murphy for a price of \$0.61 per share or \$20,130. We relied upon Section 4(2) of the Act for the sale. We believed that Section 4 (2) was available because the sale did not involve a public offering and there was no general solicitation or general advertising involved in the sale. Patrick E. Murphy had a pre-existing relationship with Joseph Riccelli, our Officer and Director. Patrick E. Murphy represented to us that he was purchasing the shares for investment purposes without a view towards resale. We placed legends on the stock certificates stating that the securities were not registered under the Securities Act and set forth the restrictions on their transferability and sale.

On June 2, 2004, we sold 33,000 shares of our stock to David H. Lennox for a price of \$0.61 per share or \$20,130. We relied upon Section 4(2) of the Act for the sale. We believed that Section 4 (2) was available because the sale did not involve a public offering and there was no general solicitation or general advertising involved in the sale. David H. Lennox had a pre-existing relationship with Joseph Riccelli, our Officer and Director. David H. Lennox represented to us that he was purchasing the shares for investment purposes without a view towards resale. We placed legends on the stock certificates stating that the securities were not registered under the Securities Act and set forth the restrictions on their transferability and sale.

On June 2, 2004, we sold 33,000 shares of our stock to James J. Kearney for a price of \$0.61 per share or \$20,130. We relied upon Section 4(2) of the Act for the sale. We believed that Section 4 (2) was available because the sale did not involve a public offering and there was no general solicitation or general advertising involved in the sale. James J. Kearney had a pre-existing relationship with Joseph Riccelli, our Officer and Director. James J. Kearney represented to us that he was purchasing the shares for investment purposes without a view towards resale. We placed legends on

the stock certificates stating that the securities were not registered under the Securities Act and set forth the restrictions on their transferability and sale.

On June 2, 2004, we sold 33,000 shares of our stock to Marc H. Nathan for a price of \$0.61 per share or \$20,130. We relied upon Section 4(2) of the Act for the sale. We believed that Section 4 (2) was available because the sale did not involve a public offering and there was no general solicitation or general advertising involved in the sale. Marc H. Nathan had a pre-existing relationship with Joseph Riccelli, our Officer and Director. Marc H. Nathan represented to us that he was purchasing the shares for investment purposes without a view towards resale. We

- 35 -

placed legends on the stock certificates stating that the securities were not registered under the Securities Act and set forth the restrictions on their transferability and sale.

On July 23, 2004, 1,050,000 shares of our common stock that were previously issued to various individuals in exchange for past and future professional services were cancelled due to nonperformance of the professional services. In connection with canceling the aforementioned shares, we issued 150,000 shares of our common stock to these various individuals in exchange for professional services already performed. We valued these shares at approximately \$2.00 per share or an aggregate of \$300,000.

On October 15, 2004, we issued 15,000 shares of our stock to Anthony Fazio, in exchange for providing construction modifications and improvements to our facility. We valued these shares at approximately \$0.52 per share or an aggregate of \$7,800.

On October 15, 2004, we issued 6,000 shares of our stock to Eugene Hermanowski, in exchange for providing construction modifications and improvements to our facility. We valued these shares at approximately \$0.52 per share or an aggregate of \$3,120.

On December 12, 2004, we issued 100,000 shares of our stock to Sean W. Dills in exchange for past and future consulting services pertaining to strategic business planning. The shares to Sean W. Dills were valued at a price of \$0.75 per share, or an aggregate price of \$75,000. We relied upon Section 4(2) of the Act for the sale. We believed that Section 4 (2) was available because the sale did not involve a public offering and there was no general solicitation or general advertising involved in the sale. These shares were issued without a restrictive legend.

On December 21, 2004, we issued 10,000 shares of our stock to Anthony C. Mengine exchange for legal services rendered to us. The shares to Anthony C. Mengine were valued at a price of \$0.50 per share, or an aggregate price of \$5,000. We relied upon Section 4(2) of the Act for the sale. We believed that Section 4 (2) was available because the sale did not involve a public offering and there was no general solicitation or general advertising involved in the sale. These shares were issued without a restrictive legend.

On December 21, 2004, we issued 6,000 shares of our stock to Roy S. Devine exchange for consulting services rendered to us. The shares to Roy S. Devine were valued at a price of \$0.50 per share, or an aggregate price of \$3,000. We relied upon Section 4(2) of the Act for the sale. We believed that Section 4 (2) was available because the sale did not involve a public offering and there was no general solicitation or general advertising involved in the sale. These shares were issued without a restrictive legend.

On December 29, 2004, we cancelled 2,000 shares of our stock previously issued to Barry Douglas in exchange for sales services for nonperformance of these services.

On January 7, 2005, we issued 50,000 shares of our stock to Sean W. Dills in exchange for past and future consulting services pertaining to strategic business planning. The shares to Sean W. Dills were valued at a price of \$0.55 per share, or an aggregate price of \$27,500. We relied upon Section 4(2) of the Act for the sale. We believed that Section 4 (2) was available because the sale did not involve a public offering and there was no general solicitation or general advertising involved in the sale. These shares were issued without a restrictive legend.

Use of Proceeds from Registered Securities.

Not applicable

ITEM 10.

MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION.

The following discussion provides information that we believe is relevant to our Plan of Operations, and should be read in conjunction with our financial statements and related notes appearing elsewhere in this Form 10-KSB. This discussion contains forward-looking statements based on our current expectations, assumptions, and estimates. The words or phrases "believe," "expect," "may," "anticipates," or similar expressions are intended to identify "forward-looking statements." Actual results could differ materially from those projected in the forward-looking statements as a result of a number of risks and uncertainties pertaining to our business, including: (a) Our limited operating history and our history of losses makes it difficult for you to evaluate our current and future business and prospects and future financial results; (b) If we are unable to obtain additional financing, we will be unable to proceed with our Plan of Operations and even if we obtain additional debt or equity financing, your equity interest in our stock will be diluted; (c) If RMF Global, Inc. violates the terms of its agreement with Ko-Myung Kim or we violate our agreement with RMF Global, Inc., we may have no eliotex by which to manufacture our products and we will have to terminate our business, and you will lose your entire investment; (d) If our products are found to cause injury, have defects, or fail to meet industry standards, we will incur substantial litigation, judgment, product liability, and product recall costs, which will increase our losses and negatively affect our brand name reputation and product sales; (e) Because we offer only six products and our competitors have a variety of products, we may not obtain consumer acceptance of our products, which may adversely affect our ability to generate revenues; (f) We have not established the Innovative Designs brand name or the "idigear" label, and eliotex has little, if any, name recognition, which may prevent us from generating revenues and reduce the value of your investment; (g) we do not have written agreements with certain companies and persons providing us with services and instead receive such services on a per project basis; and (h) other risk factors discussed in our Form SB-2 Registration Statement which is available for review at www.sec.gov. The terms "we," "our" or "us" are used in this discussion refer to Innovative Designs, Inc. Statements made herein are as of the date of the filing of this Form 10-KSB with the Securities and Exchange Commission and should not be relied upon as of any subsequent date. Unless otherwise required by applicable law, we do not undertake, and we specifically disclaim any obligation, to update any forward-looking statements to reflect occurrences, developments, unanticipated events or circumstances after the date of such statement.

We cannot continue to satisfy our current cash requirements for a period of twelve (12) months through our existing capital. We anticipate total estimated capital expenditures of approximately \$31,125 per month or an aggregate of \$373,500 over the next twelve (12) months, in the following areas:

.
Hire approximately 2 additional consultants and 2 employees;

.
Update and develop our web site and develop our online marketing campaign;

.
Contract with manufacturer representatives to sell our products;

.
Design and develop literature, displays, and media and advertising materials;

.
Develop and maintain public relations campaigns;

.
Develop trade show booths;

.
Attend trade shows;

.
Develop and initiate online marketing campaign;

.
Establish relationships with retail chain outlets and mass merchandisers; and

.
Warehouse lease payments.

Our current cash of \$26,841 as of January 30, 2004 will satisfy our cash requirements for less than one month.

Accordingly, we will be unable to fund our expenses for our entire one year plan of operations through our existing assets or cash. Our Chief Executive Officer and President have each verbally agreed to loan us up to \$400,000 for our operational needs which will be sufficient to meet our Plan of Operations or Alternative Plans of Operation. We may still need additional financing through traditional bank financing or a debt or equity offering; however, because we are a development stage company with no operating history and a poor financial condition, we may be unsuccessful in obtaining such financing or the amount of the financing may be minimal and therefore inadequate to implement our Plan of Operations. In addition, if we only have nominal funds by which to conduct our operations, we may have to curtail advertising or be unable to conduct any advertising, both of which will negatively impact development of our brand name and reputation. In the event that we do not receive financing or our financing is inadequate, we may have to liquidate our business and undertake any or all of the following actions:

.

Sell or dispose of our assets, if any;

.

Pay our liabilities in order of priority, if we have available cash to pay such liabilities;

.

If any cash remains after we satisfy amounts due to our creditors, distribute any remaining cash to our shareholders in an amount equal to the net market value of our net assets;

.

File a Certificate of Dissolution with the State of Delaware to dissolve our corporation and close our business;

.

Make the appropriate filings with the Securities and Exchange Commission so that we will no longer be required to file periodic and other required reports with the Securities and Exchange Commission, if, in fact, we are a reporting company at that time; and

.

Make the appropriate filings with the National Association of Security Dealers to affect a delisting of our stock.

Based upon our current assets, however, we will not have the ability to distribute any cash to our shareholders.

If we have any liabilities that we, or our President and/or Chief Executive Officer on our behalf, are unable to satisfy and we qualify for protection under the U.S. Bankruptcy Code, we may voluntarily file for reorganization under Chapter 11 or liquidation under Chapter 7. Our creditors may also file a Chapter 7 or Chapter 11 bankruptcy action against us. If our creditors or we file for Chapter 7 or Chapter 11 bankruptcy, our creditors will take priority over our shareholders. If we fail to file for bankruptcy under Chapter 7 or Chapter 11 and we have creditors; such creditors

may institute proceedings against us seeking forfeiture of our assets, if any.

We do not know and cannot determine which, if any, of these actions we will be forced to take. If any of these foregoing events occur, you could lose your entire investment in our shares.

Our Plan of Operations to Date

We have accomplished the following in our Plan of Operations from our inception of June 2002 to date:

Reviewing Professional Marketing Organizations

From June 2002 to December 2002, our Chief Executive Officer, Joseph Riccelli, interviewed and considered approximately 10 professional marketing organizations for marketing, sales distribution, product endorsements and promotion of our products. In October 2002, MCM Communications, Inc., a marketing and advertising firm located in Pittsburgh, Pennsylvania, informed us that it would provide us with marketing and advertising services. To date, this firm

- 38 -

as developed and designed our initial web site, product literature, and the graphic design of "Point of Sale" displays.

Completion of Design, Prototype and Testing Phase of New Products

In November 2002, we completed the design, prototype, and testing phase of our windshirts and our jackets. In January 2003, we completed the design and testing phase of our ball caps. We assumed no direct material costs associated with the design, prototype, and testing of these products because: (a) we did not utilize the services of any outside consultant or company for these purposes; (b) although we used the services of our Vice President of Sales and Marketing and Chief Executive Officer for these purposes, their efforts were part of their normal responsibilities; (c) prior to the time we had undertaken the design and prototype of these products, we had purchased the materials to accomplish these tasks, and such materials were purchased for less than \$1000; and (d) the testing of these products was performed in-house and were conducted by our Vice President of Sales and Marketing and Chief Executive Officer as part of their normal responsibilities. The design, prototype, and testing of the Swimeez, sleeping bag and stadium pillow products in which we had obtained an exclusive license to sell such products from our affiliated entity, RMF Global, had been completed by RMF Global.

Leased Warehousing Space

In October, 2002, we arranged for the lease of warehouse space for our inventory, eliotex, and other raw materials storage at 124 Cherry Street, Etna, Pennsylvania from Frank Riccelli, our President/Director. The warehouse space is being utilized for the following: (a) inventory/raw material storage, (b) sales offices, (c) conference/ presentation room, (d) sample/ source area, (e) distribution center and (f) an aquatic area that tests our products.

Website Development, Point of Sale Display, Website Design and Advertising/Product Literature Layout

In October 2002, we obtained the services on a per project basis of a website marketing consultant, BA Web Productions, located in Pittsburgh, Pennsylvania, to assist with marketing and developing our website, which has included adding new product selections, a product page, and links. Our website became operational on November 10, 2002.

In October 2002, we retained the services on a per project basis of MCM Communications, Inc. located in Pittsburgh, Pennsylvania, to provide us with marketing and advertising services, including creating our point of sale display, text for website, product information, and marketing literature, all of which have been completed.

Retailers

In November 2002, the website retailer, Woodlandsoutdoorworld.com, began ordering our sleeping bag and wind shirt products on a wholesale basis for their retail sale. In addition, Woodlands Outdoor World, a retail store, located in Farmington, Pennsylvania, began carrying our sleeping bag product and our wind shirt products and Nemaocolin Woodlands Resort and Spa's retail store located in Farmington, Pennsylvania began carrying our wind shirt product in its retail store. As of December 2003, Nemaocolin Woodlands Resort and Spa began featuring our i.d.i.gear products on their "online" catalogue at www.nemaocolin.com.

In June 2003, the following retail stores began carrying our "Swimeez" products:

.

Pool Nation located in Pittsburgh, Pennsylvania;

.

B and R Pools located in Pittsburgh, Pennsylvania;

- 39 -

Knabes Swim Shop located in Monroeville, Pennsylvania; and

.

Ross and Sons Pools located in Punxsutawney, Pennsylvania.

In June 2003, the Pittsburgh Shop located in Pittsburgh, Pennsylvania, began carrying our windshirts and hats.

In November 2003, the following retail stores and one private club started carrying our products:

.

Latrobe Country Club, a private country club located in Latrobe, Pennsylvania, started retailing our windshirts and jackets;

.

Bob's Army and Navy Store located in Clearfield, Pennsylvania started retailing our sleeping bags and stadium packs; and

.

the following retailers started retailing our sleeping bags:

(a) Hunters Headquarters located in Sunbury, Ohio; (b) Sportsmens Den located in Shelby, Ohio; (c) Fin, Feather, Fur Outfitters located in Ashland, Ohio; (d) Buckeye Outdoors, Inc. located in Hebron, Ohio; and Southern Ohio Trading located in Nelsonville, Ohio.

Contract with Manufacturer Representative Group

In November of 2002, we entered into a verbal agreement with a manufacturer representative group, Havel-Giarusso and Associates, located in Big Lake, Minnesota, to sell our products to outdoor retail chains. This manufacturer representative group has relationships with outdoor retailers located in various states.

Additional Hiring

From March 2003 to May 2003, we hired our Vice Presidents, Joseph A. Riccelli, Jr. and Michelle Griffith, on a full time, salaried position basis. Michelle Griffith resigned from the Company during the fourth quarter of 2004. From March 2003 to present, we hired two part time employees for clerical and warehouse duties at the rate of \$7.00 per hour.

Letter Agreement with Victory Junction Gang Camp

On March 6, 2003, we agreed to partner with Victory Junction Gang Camp in a cause related marketing alliance, and have added the Victory Junction Gang Camp logo and Internet link to our web site.

Services of First Impression Printing

In April of 2003, we hired First Impression Printing in Pittsburgh, Pennsylvania, on a one time project basis to design and print our product catalogue, sleeping bag Point of Sale posters and mailing labels. The project was completed on April 22, 2003. The total cost for these marketing and advertising materials was \$7309.17.

Services of Professional Trade Show Marketing Agency/Promoter

On June 12, 2003, we arranged for Discovery Marketing Associates, Inc. to represent us and our products at the 2003 Mid-Atlantic Market Week Showcase Rent A Rep from July 7 to July 11, 2003. Discovery Marketing Associates has indicated that it will represent us at future trade shows on a per project invoice basis.

Manufacturers Agreement

On June 16, 2003, we completed an agreement with Haas Outdoors, Inc. located in West Point, Mississippi, which grants a non-exclusive license in North America to manufacture or sell camouflage fabric or to have manufactured, and to sell Haas Outdoors licensed Mossy Oak camouflage fabric. In conjunction with the rights conferred to us in this agreement, we plan to use Haas Outdoors Mossy Oak fabric on the outside portion of our Stadium Pillow products using the trademarked and registered "Mossy Oak" pattern and "Mossy Oak" hang tags. On December 16, 2003 we received from Haas Outdoors, Inc. an addendum to this agreement which extended the existing license to us to manufacture hunting apparel with the Mossy Oak camouflage patterns under our i.d.i.gear label, all of which contain eliotex.

Packaging Design and Manufacture

During September 2003, we arranged with Packaging Specialists, Inc., a box manufacturing firm located in Pittsburgh, Pennsylvania, to design and manufacture the boxes for all of our products. On October 1, 2003, Packaging Specialists provided us with 2400 boxes for our various products.

Hired Marketing Employee on an Hourly Basis

On October 13, 2003, we hired Gina Leone to draft brand and advertising related marketing materials. Until the end of November 2003, Ms. Leone was compensated on an hourly basis for approximately 20 hours per week. On December 1, 2003, Ms. Leone began working for us on a full-time basis for 40 hours a week and continues to be compensated on an hourly basis. As of January 20, 2004, Ms. Leone has completed the following:

.

advertising billboard layout and design;

.

All in One (Stadium Pack) hang tag design;

.

design and layout for our new eliotex hang tag design that is hung on all of our "idi" gear products;

.

Shot Show directory listing layout;

.
booth signage;

.
letter of invitation to the press to visit booth;

.
drafting a mailer for retailers to visit the Shot Show;

.
press kit for Shot Show;

.
updating salesman's kits; and

.
revising our web site.

Our Future Plan of Operations

Our Plan of Operations is from September 2003 to September 2004 and consists of the following:

September 2003 - December 2003

Utilize Consultants/Employees for Management and Operations From September 2003 through December 2003, we intend to utilize outside web design, marketing, and public relations firms on a part-time, as needed basis, including BA Web Productions. We estimate the cost for these consultants will be approximately \$50,000. To date, apart from obtaining the services of BA Web Productions, MCM Communications, Inc., and First Impression Printing, on a one time project basis, we have not hired any other consultants due to our lack of financial resources to do so. We entered into verbal employment agreements with our Vice Presidents Joseph A. Riccelli, Jr. and Michelle Griffith as permanent full time salaried employees.

September 2003 - September 2004

Hire In House Hourly Employees for Shipping, Receiving, Customer Service, Data Entry and Invoicing.

We plan to hire up to 3 part time and 3 full time employees which we plan to compensate on an hourly basis to perform shipping, receiving, customer service, data entry and invoicing services; however, the number of employees that we hire will be dependent upon the number of product orders we receive. We will pay these hourly employees \$7 per hour. On March 10, 2003 we hired two part time employees at the rate of \$7.00 per hour to assist with shipping and receiving, customer service, data entry, and invoicing.

September 2003 - September 2004

Increase the Utility of our Web Site

We intend to continually improve the utility and design of our website. We have added the following features since March 1, 2003:

.

Simple navigational menu;

.

Testimonials and third party product reviews, including a customer testimonial for our sleeping bag;

.

Product information and pictures/graphics;

.

Wholesaler only area disclosing confidential price list; and

.

Links to pertinent/affiliated websites, including a link to the Victory Junction Gang Camp's website.

Previously, our product information was included on one page. We found this organizational format presented difficult navigational problems; therefore, during approximately December 2003 we changed our product pages to be more user friendly by adding a "pull down" menu for each individual product so that once the product is selected, the user is directly routed to a separate page containing information pertaining to the particular product chosen.

We estimate that the cost of web site layout modification and continuing development will be \$20,000, including approximately \$75.00 per month for web site hosting and payment provider fees.

September 2003 - September 2004

Develop and Initiate Online Marketing Campaign

We will utilize marketing professionals to focus on increasing our website page rank, which is the numerical location or position of our web site among search engine results. BA Web Productions updates, expands, and develops our web site. This ongoing campaign will start with search engine optimization strategies, and continue with banner advertisements and reciprocal linking campaigns with established web sites with complementary or relevant products and/or services to our products.

Our online marketing campaigns will entail the following:

.
Reciprocal linking with well-established websites with related content and/or complementary products;

.
Issuance of press releases about our products to targeted on-line publications; and

.
Strategic placement of banner advertisements on websites.

- 42 -

The estimated cost of this online marketing campaign is \$500 per month or \$6,000 per year, including travel expenses and lodging, business lunches/dinners, and telephone charges.

In December 2003, we utilized the services of BA Web Productions to update the information and organizational format of our product pages and to submit our name to additional search engines. In addition, we added trade show information to include our contacts and/or booth numbers at each show to be attended. The total cost of BA Web Productions' services was \$200.

January 2004 - March 2004

Manufacturer Representatives to Market our Product

We originally planned to hire 3 sales representatives at a base starting salary of \$30,000 with no commission by July 2003, which was then further delayed until January 2003; however, because we have been utilizing manufacturers representatives affiliated with Havel-Giarosso and Associates since July 2003 to a greater extent than originally anticipated, and their representatives are compensated on a commission basis only, we have chosen to only utilize manufacturer representatives to market our products. These manufacturer representatives will market our products to and service retail chain stores, facilitate trade shows, and initiate and nurture relationships with local and national organizations.

In March 2003, we entered into a verbal agreement and hired one independent representative: Mr. George Douglas, of Concord, North Carolina. Mr. Douglas is an independent contractor whose compensation is 10% of any Purchase Orders he receives for our products.

January 2004 - August 2004

Initially Contract with five (5) Manufacturer Representatives

Our Vice President of Sales and Marketing will interview and contact additional established apparel representatives from manufacturer representative organizations. Compensation to these manufacture representatives will be on a commission basis only. We do not anticipate any expenses associated with this activity. As of January 15, 2004, our Vice President of Sales and Marketing has not accomplished anything pertaining to this step in our Plan of Operations.

September 2003 - August 2004

Design and Development of Literature, Displays, and Media Materials

We will develop literature, point-of-sale and media materials in our attempt to integrate our products into large retail store outlets. We will utilize marketing consultants to develop and implement professional photography and graphics, brochures, point-of-sale displays, mailers and literature, which we plan to use as trade show exhibits, and sales tools for our sales representatives and manufacturer representatives. We estimate that our total expenditure in this area will be \$60,000.

We have scheduled a professional photographer to photograph our Haas Outdoors/Mossy Oak brand camouflage hunting apparel related products during January or February 2004 at an approximate cost of \$700. These photographs will be included in product sheets containing information about the Haas Outdoors/Mossy Oak products, which will then be included in a bound catalogue of all of our products. We intend to complete the catalogue by February 2004. We have arranged for Schiff Printing located in Pittsburgh, Pennsylvania to print 20,000 of these

- 43 -

catalogues at an approximate cost of \$3,080. These catalogues will be distributed at trade shows and by our sales persons to potential retail distributors or stores.

The only other tasks that we have accomplished regarding this step in our Plan of Operations is described below under "Develop Trade Show Booth."

September 2003 - June 2004

Develop and Initiate Print Advertising

Throughout our Plan of Operations and as a congruent part of our overall marketing strategy, we intend to initiate our targeted print advertising campaign in specific newspapers, magazines, and trade journals. We plan on beginning an advertising campaign with "Teaser Ads," advertisements stating product and company information but not specific ads on one particular product, in outdoor publications and magazines along with trade show brochures. Additionally we will utilize ad space in chain store news and inserted flyers. We will utilize marketing/ advertising agencies to assist in the design, development, printing, and distribution of these advertising campaigns, along with our Chief Executive Officer and Vice President of Sales and Marketing. The total estimated cost for our print advertisements is \$30,000.

To date, we have not placed any print advertisements due to our lack of cash resources to do so.

On December 9, 2003, we executed an outdoor advertising contract with Roadway Outdoor Advertising, Inc. This agreement provides that for a term of six months Roadway Outdoor will provide us with an outdoor advertising display located on the East Huntington Route 119, in Pennsylvania. Since December 2003, this company has provided us with this billboard advertising display which advertises our i.d.i.gear products. We are required to pay \$625.00 of expenses incurred by Roadway Outdoor, a 10% cost for production, and a one time \$225 installation fee. In addition, we are required to pay \$400 to Roadway Outdoor for a period of 5 months.

January 2004 - September 2004

Develop and Maintain Public Relations Campaigns

Starting in January 2004 and continuing throughout our Plan of Operations, we intend to utilize marketing consultants to develop advertisements and press releases for apparel and outdoor gear magazines and trade journals. The press releases and advertisements will discuss issues such as company status, product innovations, and other notable events and developments. The estimated cost is \$3,000 for consultant services, advertisements, press release submission via PR Newswire, software and administrative expenses.

To date, we have not accomplished anything regarding this step in our Plan of Operations.

September 2003 - January 2004

Develop Trade Show Booth

We will utilize marketing consultants to design and develop our portable display booth to be used in participating in sporting goods and outdoor apparel specific trade shows. The show booth development includes a modular wall design, display pedestals and tables, carpeting, and company signage. We estimate the cost of the booth to be \$5,000.

- 44 -

We received 3 bids for design of a trade show booth for the Shot Show scheduled for February 2004. We contracted with Reed Exhibitions, a convention management firm located in Philadelphia, Pennsylvania, for our booth space at the 2004 Shot Show to be held in Las Vegas, Nevada on February 12 - 14, 2004. On October 6, 2004, we paid \$4,350 for this booth space. On December 19, 2003, we paid \$490 to the Shot Show \$490.00 for advertising space in the Shot Show Directory contained in two separate publications to be distributed during the show.

Edgar Filing: INNOVATIVE DESIGNS INC - Form 10KSB

During December 2003, we contracted with South Coast Exhibits, a trade show booth design firm located in Laguna Beach, California, to manufacture and design our booth at the Shot Show. We prepaid a total of \$4,417 to South Coast Exhibits for their services. On December 12, 2003, we paid a 50% deposit in the amount of \$2,208.50 to South Coast Exhibits for the booth. On January 15, 2004, we paid the remaining balance of \$2,208 for the booth.

November 2003 to February 2004

Attend Trade Shows

We will utilize marketing consultants to assist our Chief Executive Officer, Vice President of Sales and Marketing, and our sales representatives to attend and/or participate in various sporting goods trade shows, apparel trade shows, and outdoor shows. We originally planned on attending the following trade shows:

.

Swimwear Show, July 19-23, 2003, Miami, Florida

.

Outdoor Retailer Summer Market, August 14-17, 2003, Salt Lake City, Utah

.

MAGIC Textile and Apparel, August 26-29, 2003, Las Vegas, Nevada

.

Action Sports Retailer Trade Expo, September 5-7, 2003, San Diego, California

.

National Association of Sporting Goods Wholesaler Show, November 4-8, 2003, Phoenix, Arizona

.

Sporting Goods Manufacturer Association Show, January 12-14, 2004, Orlando, Florida

.

PGA Show, Orlando, Florida, January 27-31, 2004

.

Atlantic City Pool and Spa Show, January 27-29, 2004, Atlantic City, New Jersey

Our Chief Executive Officer and our Vice President of Sales and Marketing did not attend these trade shows. Instead, we decided to preserve our cash resources by having manufacturer representatives affiliated with Havel-Giarusso and Associates attend these trade shows, which they attended on the above dates.

Our Vice President of Sales and Marketing, Michelle Griffith, attended the "Shot Show" that was held in Orlando, Florida from February 13 to 17, 2003. Our Vice President of Sales and Marketing, along with the Havel-Giarusso and Associates manufacturers representatives will attend the Shot Show in Las Vegas, Nevada, from February 10-16, 2004. The total estimated cost of attending all of these shows is \$6,500 for travel and accommodations.

Our Vice President of Sales, Michelle Griffith, attended the National Association of Wholesaler Show from November 4-8, 2003. Our Havel-Giarusso and Associates representatives attended the Sporting Goods Manufacturer Association Show on our behalf.

September 2003 - September 2004

Establish Wholesale Relationships with Retail Chain Outlets and Mass Merchandisers to Carry Our Products and Product Promotion.

- 45 -

We plan to develop wholesale relationships or distribution points for our products. Throughout our Plan of Operations, we plan to implement sales campaigns to established retailers with the goal of establishing wholesale relationships. Our Chief Executive Officer and Vice President of Sales and Marketing will initiate these campaigns. Our sales campaigns will be an ongoing process and will consist of our sales representatives accomplishing the following:

.
Lead Generation - Accomplished through cold calling, follow-up contacts from tradeshow and mailers, and networking with outdoor gear and apparel industry associations;
.

Personal Presentations to Executives and Purchasing Departments of Targeted Retailers - Through these sales presentations, we will attempt to convince the retailer to purchase our products at wholesale prices for resale in their store or chain of stores. The orientation of the presentation will be an introduction of the innovative aspects of our products, as well as the advantages of our products over some of our competitors. For example, we will highlight the light weight, compactness, thermal insulation, and buoyancy features of eliotex used in our products. These personal presentations of our products will be on-location at prospects' facilities to executives and purchasing departments and will include a product display and a video demonstration of the products in use;

Order Acquisition and Management - Once the retailer places an order for products, the sales representative is responsible for managing the order fulfillment process, forwarding the purchase order to the distribution manager who will then arrange the shipping specifics, as well as coordinating the physical merchandising of our products on the shelves of the client stores. By maintaining this hands-on approach, we will attempt to continue successful relationships with our distributors; and

Relationship Management - The sales representative is also responsible for maintaining an ongoing relationship with acquired distributors. Our Vice President of Sales and Marketing will enforce a regimented account management program. This program is to include monthly telephone contacts, and personal visits, once per six months minimum, with the distributor.

From July 2003 to November 2003, our Vice President of Sales and Marketing made sales presentations to approximately 7 apparel buyers of retail chain outlets as well as 2 privately held retail stores. These sales presentations highlighted the eliotex material and our idigear products. Apart from these sales presentations, we have not accomplished anything with this step in our Plan of Operations.

September 2003 to September 2004

Sub-Manufacturing, Raw Materials Procurement and Fulfillment Process.

We will conduct our sub-manufacturing, raw materials procurement and fulfillment Process, as follows:

Sources and Availability of Raw Materials eliotex will be used in all our finished goods and will be purchased from our affiliate/licensor, RMF Global.

- 46 -

Raw Materials to be Provided for our Floating Swimwear Products:

.

eliotex

eliotex will be used to create the buoyant quality of our floating swimwear product.

.

Lycra

We will purchase Lycra from Yasha Fabrics which is located in Los Angeles, California. Lycra is an elastic polyurethane fiber or fabric used especially for close-fitting sports clothing and will be used for the outer shell and inside lining of our floating swimwear product.

.

Zippers

We will purchase zippers from Barbie International Corporation which is located in New York, New York.

The delivery time involved for these raw materials from the date of order to date of delivery is less than two weeks.

Raw Materials to be provided for our Sleeping Bags and Stadium Pillow Products:

.

eliotex

eliotex will be used in our sleeping bags, Swimeez and stadium pillow products as insulation and to provide buoyancy to these products.

Rip Stop Nylon

We will purchase Rip Stop Nylon from Roberts Textile Company located in New York, New York. Rip Stop Nylon is a manufactured fiber that is strong and is resistant to both abrasion and damage from many chemicals. Rip Stop Nylon fabric is non-absorbent, durable, fast drying, resistant to moths and other insects, water, perspiration and standard dry cleaning agents. The Rip Stop Nylon fabric also contains an added nylon cross weave to prevent tearing of the material. Rip Stop Nylon is commonly used in women's hosiery, knitted or woven lingerie, socks and sweaters, rugs and carpets, sleeping bags, duffle bags, racquet strings, and fishing lines. Rip Stop Nylon is used in our sleeping bags and stadium pillow products as the exterior shell.

Nylon polyester tricot

We will purchase nylon tricot from Roberts Textile Company or Fab Industries, both of which are located in New York, New York. Nylon tricot is made from very fine or single yarns, providing a suede-like texture. Nylon tricot is typically used for underwear, sportswear, bathing suits and gloves. Nylon tricot is used in our sleeping bags as the inside lining.

Compression sacks

We will purchase compression sacks from Equinox located in Williamsport, Pennsylvania. Compression sacks are small Rip Stop Nylon bags, approximately 12 inches by 8 inches. They are separate from our sleeping bag and are used to

- 47 -

compress our sleeping bag when not in use. Rip Stop Nylon is the sole component of the compression sacks.

Mossy Oak Break and New Break-Up Camouflage Patterns

We will purchase Mossy Oak Break and New Break Up camouflage patterns from Haas Outdoors, Inc. for the outside portion of our stadium pillow products.

Raw Materials to be provided for our Jackets, Windshirts, and Ball Caps

.

eliotex

eliotex will be used to provide insulation in our jackets, windshirts, and ball caps.

.

Polyester peached microfiber

We will purchase polyester peached microfiber which is a type of grade microfiber from Roberts Textile Company located in New York, New York. It is durable and water repellent treated for our jackets, windshirts, and ball caps.

.

Rib knit

We will purchase rib knit for our jackets, windshirts and ball caps from Green Mountain located in Knitter, Vermont. Rib knit is a mix of cotton and Lycra and is elastic and is used for the trip around the collars, waistbands and cuffs.

The delivery time involved for our raw materials from the date of order to the date of delivery is less than one week for all stocked materials. Non-stocked materials or special orders may take up to two weeks for delivery.

The only "raw product" we store on a continual basis is "eliotex" which we store in our warehouse. Our warehouse space is sufficient for our storage of eliotex. For the other raw materials that are below 1000 piece goods, we have the materials shipped directly to the sub-manufacturer. For production runs in excess of 1000 piece goods, we arrange for the raw materials to be shipped to our warehouse facility, which is sufficient for that use; thereafter, we distribute to the sub-manufacturer the quantity needed for each production run and we store the remaining quantity. Payment typically will be due on an average of 30 to 60 days after receipt of the raw materials by our sub-manufacturer or our warehouse facility. Our Indonesia based manufacturer, PT Lidya and Natalia, has sole discretion in the sourcing and ordering of raw materials for their production runs, the costs of which we reimburse them.

Manufacturing

All of our products are sub-manufactured by PT Lidya and Natalia located in Sidoarjo, Indonesia.

We have no verbal or written agreement or long term agreement with PT Lidya and Natalia, nor do we plan on obtaining any such agreements. Our sub-manufacturer manufactures our products on a per order basis.

Purchase Orders

We have submitted the following purchase orders to our manufacturers to effect manufacturing of our products:

- 48 -

.
August 30, 2002 - We submitted a purchase order to PT Lidya and Natalia to manufacture 6,000 of our stadium pillows;

.
January 12, 2003 - We submitted a purchase order to PT Lidya and Natalia to manufacture 5,000 compression sacks for our sleeping bags, and 1550 jackets;

.
March 21, 2003 - We submitted a purchase order to R and M Apparel to manufacture 648 of our windshirts.

Fulfillment Process

The fulfillment process involved in completing wholesale orders for non stocked swimsuit, sleeping bag, wind shirt, jacket, and ball cap products is described below:

DAY

ACTION

1

We receive a purchase order for a certain number of items from a wholesale purchaser by hand

delivery, fax, courier, or mail, with an authorized signature of the purchaser. We do not

accept telephone orders.

We contact a raw material supplier to send a certain number of yards of raw materials to our

sub-manufacturers. Raw materials are ordered according to need.

We contact our sub-manufacturers with the details of the order, including the number of units to be produced according to design or model, size, or color.

We complete and forward a purchase order to the manufacturer. The manufacturer approves or disapproves a purchase order.

If the purchase order is approved, the manufacturer responds with a final cost, production schedule and date the goods will be delivered to us.

10

Our sub-manufacturers ship finished goods to us.

14

We receive finished goods, and facilitate turn-around for shipment to the sporting goods store.

Goods received in distribution center where they are packaged in Master Packs, hang tags

attached, and UPC/UCC codes labels applied to items for distribution retailer.

The basis for the above time estimates has been derived from RMF Global's prior experience with these sub-manufacturers.

The fulfillment process involved in completing wholesale orders for our Stadium Pillow products is described below:

DAY

ACTION

1

We receive an order for a certain number of items from a wholesale purchase by hand delivery, fax, courier, or mail with an authorized signature of the purchaser.

We contact our sub-manufacturers with details of the order, including the number of units to be produced according to color combinations. The sub-manufacturers then procure the raw materials.

7

Our sub-manufacturers receive raw materials from suppliers and begin production.

25 - 30

Within 25-30 days, our sub-manufacturers ship finished goods to us, pending no international freight or shipping issues.

56 - 61

We receive finished goods, and facilitates shipment to the buyer.

The basis for the above time estimates has been derived from RMF Global's prior experience with these sub-manufacturers.

September 2003 to September 2004

Product Design and Development

We plan to expand our sleeping bag and floating swimwear products and research and develop other apparel and accessory items containing "eliotex". We plan to continually evaluate trends, monitor the needs and desires of consumers by conducting customer purchase follow-up, ongoing market research, and maintaining open channels of communication with our distributor retailers and manufacturer representatives. We plan to consult with our sub-manufacturers and raw material suppliers regarding the development and use of new materials and the enhancement of our product designs. In addition, we will continually evaluate our product lines for proper positioning in the marketplace, by:

.

Consulting with experts in the textiles and design engineering; and

.

Consulting with third-party apparel designers and outdoor equipment experts.

The steps involved in our prospective design and development are:

.

Product conception and design by our Chief Executive Officer, Vice Presidents, and/or third party designers;

.

Patterns made from design concept;

.

Pattern cut and distributed to contracted sub-manufacturer;

.

Sample manufactured - The manufacturer constructs one or a few of the sample garments by combining and sewing the appropriate materials as specified in the design presentation;

.

Sample testing - We plan to forward the sample garment to Vartest Laboratories, Inc. for testing regarding weight, water repellency, and thermal insulation properties or other aspects depending on the type of product being tested and product functions. In addition, our Officers and Directors will be asked to use the prototype products to provide feedback to the designer of the product and possible product improvements; and

Final manufacturing plans submitted to manufacturer for production sample.

- 50 -

Based on previous product development experience, we expect that our product development cycle, from initial design to product introduction will take three to twelve months, depending upon the complexity of the design and associated testing. Based on our previously established relationships with garment manufacturers, we estimate new product design and development costs at roughly \$5,000 per new item. We estimate that we will develop no more than two new products during our Plan of Operations from September 2003 to September 2004. We have not yet designed or commenced development of any new products.

Although we are not currently developing products that will contain eliotex for use in the military and airline industries, we may do so in the future. Because eliotex has insulation and water repellent properties, it potentially has widespread application to products that may be used by the military and airline industries, such as additional sleeping bag products or flotation devices. We anticipate that we will not begin to develop such products until we have effectively penetrated the sporting goods market or established sufficient market share that enables us to allocate resources for this type of industry specific application development and material testing procedures, which we do not anticipate until we complete our Plan of Operations over the next 12 months as detailed above.

Summary of Costs Affiliated with our Plan of Operations

Based on the above Plan of Operations, we will have total estimated costs of \$376,200, composed of the following:

PLAN OF OPERATIONS TASK

ESTIMATED COST

Utilize Consultants for Management and Operations

\$ 50,000

Increase the Utility of our Web Site

20,000

Travel expenses affiliated with contracting with

manufacturing representatives

500

Design and development of literature and media materials

60,000

Develop and maintain public relations campaigns

3,000

Develop trade booth for trade shows

5,000

Attending trade shows

6,500

Hiring of professionals for our online marketing campaign

19,500

Establishing sales campaigns, relationships, and agreements with retailers

and affiliate marketers which will include travel expenses, lodging, business

lunches, dinners and telephone charges.

18,000

Print advertising

30,000

Subtotal

\$ 212,500

PLAN OF OPERATIONS TASK

ESTIMATED COST

Subtotal from page 51

\$ 212,500

Product design and development

10,000

Warehouse lease

31,200

Salaries

120,000

Total Costs

\$ 373,700

*

Estimated salaries consist of: (a) \$40,000 annual salary to Joseph A. Riccelli, our Vice President; (b) \$55,000 annual salary to our Vice President of Sales and Marketing; and (c) \$25,000 annual salary to Dave Shondeck, our Director of Product Development Research. Does not include commission costs paid to manufacturer representatives based on total purchase order amount which cannot be determined at this time. Does not include hourly wages, the specific amount of which can not be determined at this time.

Alternative Plan of Operations With Funding of less than \$373,500 Should we receive funding of less than \$373,500, our alternative Plan of Operations, based on funding of \$250,700, will consist of the following costs and tasks that have been described above:

PLAN OF OPERATIONS TASK

ESTIMATED COST

Salaries

\$ 120,000

Warehouse lease

31,200

Establish sales campaign to be conducted by our Chief Executive Officer

and VP of Sales

18,000

Attending trade shows

6,500

Develop trade show booth

5,000

Travel expenses affiliated with contracting with manufacturers representatives

to our product line and thus eliminate the need to hire additional in-house

full-time salaried personnel

500

Increase the utility of our website

20,000

Print advertising

30,000

Hiring of website and advertising consultants for online marketing campaign

19,500

Total Costs

\$ 250,700

Should we receive funding of less than \$250,700, we will require funding of at least \$181,200 to continue our operations under an alternative Plan of Operations, as follows:

- 52 -

PLAN OF OPERATIONS TASK

ESTIMATED COST

Salaries

\$ 120,000

Warehouse lease

31,200

Establish sales campaign to be conducted by our Chief Executive Officer

and VP of Sales

18,000

Attending trade shows

6,500

Develop trade show booth

5,000

Travel expenses affiliated with contracting with manufacturers representatives

to our product line and thus eliminate the need to hire additional in-house

full-time salaried personnel

500

Total Costs

\$ 181,200

Source of Funds to Fund our Plan of Operations

We plan to fund our total costs of \$376,200, or if necessary \$250,700 or \$181,200 under Alternative Plans of Operations through the following:

.

Our existing cash of \$26,841 as of January 30, 2004;

.

Possible revenue generated from our sale of products; and

.

If necessary, loans from our Chief Executive Officer and/or our President.

Our Plan of Operations is dependent upon our ability to generate revenues to fund our operations; however, our revenues may be insufficient to provide adequate funding. If our revenues are insufficient, Joseph Riccelli, our Chief Executive Officer, and Frank Riccelli, our President, have verbally agreed to loan us sufficient funds to meet our Plan of Operations or Alternative Plans of Operation. Messrs. Joseph and Frank Riccelli have further verbally agreed to loan us these funds at no interest, with no specified term for the repayment of the loan. We may seek financing through traditional bank financing. However, because we are a development stage company with a poor financial condition, financial institutions may not provide us with financing, in which case we may have to curtail or cease our operations and you may lose your entire investment.

Liquidity and Capital Resources (October 31, 2004 and 2003)

Cash at October 31, 2004 and 2003 amounted to \$27,384 and \$73,476, respectively. We have experienced significant losses from our operations. For the years ended October 31, 2004 and 2003, we incurred a net loss of \$1,933,630 and \$2,398,169, respectively. In addition, we had an accumulated deficit of \$4,909,860 and \$2,976,230 and a working capital deficit of \$678,664 and \$289,555 at October 31, 2004 and 2003, respectively. Our ability to continue as a going concern is contingent upon our ability to expand our operations and secure additional financing. Although we are pursuing financing to expand our operations, there are no assurances that we will be successful in obtaining such financing. Our failure to secure financing or expand our operations may result in our not being able to continue as a going concern.

PAGE INTENTIONALLY LEFT BLANK

CERTIFICATIONS

I, Joseph Riccelli, certify that:

1.

I have reviewed this annual report on Form 10-KSB of Innovative Designs, Inc.;

2.

Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3.

Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4.

The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

a)

designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

b)

evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the Evaluation Date); and

c)

presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5.

The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a)

all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b)

any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6.

The registrant's other certifying officers and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date:

January 27, 2005

By:

/s/ Joseph Riccelli

Chief Executive Officer

CERTIFICATIONS

I, Anthony Fonzi, certify that:

1.

I have reviewed this annual report on Form 10-KSB of Innovative Designs, Inc.;

2.

Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3.

Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4.

The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

a)

designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

b)

evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the Evaluation Date); and

c)

presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5.

The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a)

all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b)

any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6.

The registrant's other certifying officers and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date:

January 27, 2005

By:

/s/ Anthony Fonzi

Chief Financial Officer

PART F/S

INNOVATIVE DESIGNS, INC.

(A Development Stage Company)

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**

October 31, 2004 and 2003

REPORT OF INDEPENDENT AUDITORS

Shareholders and Board of Directors

Innovative Designs, Inc.

We have audited the accompanying balance sheet of Innovative Design, Inc. (a development stage company) as of October 31, 2003 and the related statements of operations, stockholders' equity (deficit), and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Innovative Design, Inc. (a development stage company) as of October 31, 2003, and the results of its operations, and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the financial statements, the Company has incurred significant losses from operations and has working capital and stockholder deficiencies. These factors raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to this matter are also discussed in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ Stark Winter Schenkein & Co., LLP

Stark Winter Schenkein & Co., LLP

Denver, Colorado

January 29, 2004

- 58 -

INDEPENDENT AUDITORS' REPORT

To the Shareholders and Board of Directors

Innovative Designs, Inc.

(A Development Stage Company)

Sharpsburg, Pennsylvania

We have audited the accompanying balance sheet of Innovative Design, Inc. (a development stage company) as of October 31, 2004 and the related statements of operations, stockholders' (deficit), and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the auditing standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Innovative Design, Inc. (a development stage company) as of October 31, 2004, and the results of its operations, and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the financial statements, the Company has incurred significant losses from operations and has working capital and stockholder deficiencies. These factors raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to this matter are also discussed in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ Louis Plung & Company, LLP

LOUIS PLUNG & COMPANY, LLP

Pittsburgh, Pennsylvania

January 7, 2005

- 59 -

INNOVATIVE DESIGNS, INC.**(A Development Stage Company)**

BALANCE SHEET

October 31, 2004ASSETS

	<u>2004</u>
<u>CURRENT ASSETS:</u>	
<u>Cash</u>	\$ 27,384
<u>Accounts receivable</u>	30,355
<u>Other receivables</u>	5,000
<u>Inventory</u>	286,310
<u>Total current assets</u>	<u>349,049</u>
<u>PROPERTY AND EQUIPMENT, NET</u>	<u>26,118</u>
<u>TOTAL ASSETS</u>	<u>\$ 375,167</u>

LIABILITIES AND STOCKHOLDERS' DEFICIT

	<u>CURRENT LIABILITIES:</u>	
	<u>Accounts payable</u>	\$ 138,842
<u>Note payable</u>		<u>102,000</u>
	<u>Note payable - related party</u>	<u>727,275</u>
<u>Due to shareholders</u>		<u>46,000</u>
<u>Accrued expenses</u>		<u>13,596</u>
	<u>Total current liabilities</u>	<u>1,027,713</u>
	<u>LONG TERM LIABILITIES:</u>	
	<u>Note payable - related party</u>	<u>236,364</u>
<u>Loan payable to related party</u>		<u>71,000</u>
	<u>Total long term liabilities</u>	<u>307,364</u>

<u>TOTAL LIABILITIES</u>	<u>1,335,077</u>
<u>STOCKHOLDERS' DEFICIT:</u>	
<u>Preferred stock, \$.0001 par value, 100,000,000 shares authorized</u>	<u>-</u>
	<u>-</u>
<u>Common stock, \$.0001 par value, 500,000,000 shares authorized, 16,903,625 shares issued and outstanding</u>	<u>1,691</u>
<u>Additional paid in capital</u>	<u>3,948,259</u>
<u>(Deficit) accumulated during the development stage</u>	<u>(4,909,860)</u>
<u>Total stockholders' (deficit)</u>	<u>(959,910)</u>
 <u>TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT</u>	 <u>\$ 375,167</u>

The accompanying notes are an integral part of these financial statements.

INNOVATIVE DESIGNS, INC.**(A Development Stage Company)**

STATEMENTS OF OPERATIONS

For the Years Ended October 31, 2004 and 2003, andPeriod from Inception (June 25, 2002) to October 31, 2004

	<u>2004</u>	<u>2003</u>	Inception to October 31, <u>2004</u>
REVENUE	\$ 71,999	\$ 55,416	\$ 127,415
OPERATING EXPENSES:			
Cost of sales	102,779	23,201	125,980
Non-cash stock compensation	1,146,000	1,950,000	3,575,030
Selling, general and administrative expenses	417,291	302,457	818,779
	1,666,070	2,275,658	4,519,789
Loss from operations	(1,594,071)	(2,220,242)	(4,392,374)
INTEREST EXPENSE	222,611	177,927	400,538
Loss before extraordinary items	(1,816,682)	(2,398,169)	(4,792,912)
Extraordinary item - casualty loss from flooding, net of insurance proceeds	116,948	-	116,948
NET LOSS	\$ (1,933,630)	\$ (2,398,169)	\$ (4,909,860)

Per share information -
basic and fully diluted

	Weighted Average			
Shares Outstanding		15,882,296	15,578,967	14,646,346
	Net loss per share	(0.12)	(0.15)	(0.34)

The accompanying notes are an integral part of these financial statements.

- 61 -

INNOVATIVE DESIGNS, INC.

(A Development Stage Company)

STATEMENTS OF STOCKHOLDERS' (DEFICIT)

For the Years Ended October 31, 2004 and 2003 and

Period from Inception (June 25, 2002) to October 31, 2004

			(Deficit)	
			Accumulated	
Common Stock		Additional	During the	
<u>Shares</u>	<u>Amount</u>	<u>Paid in Capital</u>	<u>Development Stage</u>	<u>Total</u>

Edgar Filing: INNOVATIVE DESIGNS INC - Form 10KSB

Shares issued to founders					
in June 2002 at par \$.0001	14,050,000 \$	1,405 \$	- \$	- \$	1,405
Shares issued for cash during June 2002 at \$.75 per share	20,500	2	15,373	-	15,375
Shares issued for cash during July 2002 through August 2002 at \$1.00 per share	57,000	6	56,994	-	57,000
Shares issued for cash during August 2002 through October 2002 at \$2.00 per share	122,750	12	245,488	-	245,500
Shares issued for services during June 2002 at \$.75 per share	623,500	62	467,563	-	467,625
Shares issued for services during August 2002 at \$2.00 per share	5,000	1	9,999	-	10,000
Net (loss) for the period	<u>-</u>	<u>-</u>	<u>-</u>	<u>(578,061)</u>	<u>(578,061)</u>
Balance at October 31, 2002	<u>14,878,750</u>	<u>1,488</u>	<u>795,417</u>	<u>(578,061)</u>	<u>218,844</u>
Shares issued for services during January 2003 at \$2.00 per share	525,000	52	1,049,948	-	1,050,000
September 2003 at \$2.00 per share	450,000	45	899,955	-	900,000
Shares issued for cash during January 2003 at \$2.00 per share	175,125	18	350,232	-	350,250

October 2003 at					
\$2.00 per share	63,300	6	126,594	-	126,600
Cancellation of shares	(25,000)	(2)	2	-	-
License agreement	-	-	(618,145)	-	(618,145)
Net (loss) for the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,398,169)</u>	<u>(2,398,169)</u>
Balance at October 31, 2003	<u>16,067,175</u>	\$ <u>1,607</u>	\$ <u>2,604,003</u>	\$ <u>(2,976,230)</u>	\$ <u>(370,620)</u>

The accompanying notes are an integral part of these financial statements.

- 62 -

INNOVATIVE DESIGNS, INC.

(A Development Stage Company)

STATEMENTS OF STOCKHOLDERS' (DEFICIT)

For the Years Ended October 31, 2004 and 2003 and

Period from Inception (June 25, 2002) to October 31, 2004

	Common Stock		Additional	(Deficit)	
	Shares	Amount	Paid in Capital	Accumulated	Total
				During the	
				Development Stage	
Balance at October 31, 2003	<u>16,067,175</u>	\$ <u>1,607</u>	\$ <u>2,604,003</u>	\$ <u>(2,976,230)</u>	\$ <u>(370,620)</u>
Shares issued for cash					
during October 2003					
at \$2.00 per share	10,000	1	19,999	-	20,000
Shares issued for cash					
during November					

Edgar Filing: INNOVATIVE DESIGNS INC - Form 10KSB

2003					
at \$2.00 per share	12,950	1	25,899	-	25,900
Shares issued for services					
during November 2003					
at \$2.00 per share	140,000	14	279,986	-	280,000
Shares issued for services					
during November 2003					
at \$2.00 per share	380,000	38	759,962	-	760,000
Shares issued for cash					
during December 2003					
at \$2.00 per share	5,500	1	10,999	-	11,000
Shares issued for services					
during December 2003					
at \$2.00 per share	805,000	81	1,609,919	-	1,610,000
Shares issued for cash					
during April 2004					
at \$1.00 per share	50,000	5	49,995	-	50,000
Shares issued for services					
during April 2004					
at \$1.20 per share	80,000	8	95,992	-	96,000
Shares issued for cash					
during May 2004					
at .61 per share	132,000	13	80,507	-	80,520
Shares issued for services					
during July 2004					
	<u>100,000</u>	<u>10</u>	<u>199,990</u>	<u>-</u>	<u>200,000</u>

at \$2.00 per
share

Subtotal 17,782,625 \$ 1,779 \$ 5,737,251 \$ (2,976,230) \$ 2,762,800

The accompanying notes are an integral part of these financial statements.

- 63 -

INNOVATIVE DESIGNS, INC.

(A Development Stage Company)

STATEMENTS OF STOCKHOLDERS' (DEFICIT)

For the Years Ended October 31, 2004 and 2003 and

Period from Inception (June 25, 2002) to October 31, 2004

	Common Stock <u>Shares</u>	<u>Amount</u>	Additional <u>Paid in Capital</u>	(Deficit) Accumulated During the <u>Development Stage</u>	<u>Total</u>
Subtotal from page 63	<u>17,782,625</u>	\$ <u>1,779</u>	\$ <u>5,737,251</u>	\$ <u>(2,976,230)</u>	\$ <u>2,762,800</u>
Shares returned for nonperformance of services during July 2004 At \$2.00 per share	(1,050,000)	(105)	(2,099,895)	-	(2,100,000)
Shares issued for services during July 2004 at \$2.00 per share	150,000	15	299,985	-	300,000
Shares issued for services					

Edgar Filing: INNOVATIVE DESIGNS INC - Form 10KSB

during October 2004					
at \$.52 per share	21,000	2	10,918	-	10,920
Net income (loss) for the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,933,630)</u>	<u>(1,933,630)</u>
Balance at October 31, 2004	<u>16,903,625</u>	\$ <u>1,691</u>	\$ <u>3,948,259</u>	\$ <u>(4,909,860)</u>	\$ <u>(959,910)</u>

The accompanying notes are an integral part of these financial statements.

- 64 -

INNOVATIVE DESIGNS, INC.**(A Development Stage Company)**

STATEMENTS OF CASHFLOW

For the Years Ended October 31, 2004 and 2003 andPeriod from Inception (June 25, 2002) to October 31, 2004

	<u>2004</u>	<u>2003</u>	Inception to October 31, <u>2004</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss	\$ (1,933,630)	\$ (2,398,169)	(4,909,860)
Adjustments to reconcile net loss to cash (used in) operating activities:			
Common stock issued to founders	-	-	1,405
Common stock returned for noncompliance services	(1,600,000)	-	(1,600,000)
Common stock issued for services	2,756,920	1,950,000	5,184,545
Depreciation	8,325	7,875	16,414
Interest added to related party note	218,184	177,310	395,494
Interest added to note payable	2,000	-	2,000
Loss from extraordinary item	173,830	-	173,830
Changes in operating assets and liabilities:			
Accounts receivable	(25,535)	(4,820)	(30,355)
Inventory	(124,128)	(268,527)	(409,382)
Deposits	-	77,000	-
Other receivables	3,500	(8,500)	(5,000)
Accounts payable	134,556	(3,419)	138,842
Accrued expenses	13,596	-	13,596
Net cash (used in) operating activities	(372,382)	(471,250)	(1,028,471)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property and equipment	(6,014)	(24,520)	(48,290)

Edgar Filing: INNOVATIVE DESIGNS INC - Form 10KSB

Insurance proceeds from casualty loss	38,202	-	
			38,202
Insurance proceeds used to pay off vehicle loans	(38,202)	-	(38,202)
Net cash (used in) investing activities	(6,014)	(24,520)	(48,290)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Payments on note payable	-	(3,884)	(3,884)
Payment on related party note	-	(50,000)	(50,000)
Shareholder advances	15,000	31,000	363,875
Common stock issued for cash	187,420	476,850	664,270
Proceeds from short term debt	58,884		58,884
		-	
Proceeds from loan payable to related party	71,000	-	71,000
Net cash provided by financing activities	332,304	453,966	1,104,145
Net increase (decrease) in cash	(46,092)	(41,804)	27,384
Cash - beginning	73,476	115,280	-
Cash - ending	\$ 27,384	\$ 73,476	\$ 27,384
Supplemental cash flow information:			
Cash paid for interest	\$ 2,427	\$ 616	\$ 616
Non-cash investing and financing activities:			
License agreement	\$ -	\$ 618,145	\$ 618,145
Property and equipment acquired with note payable	\$ -	\$ 45,000	\$ 45,000

The accompanying notes are an integral part of these financial statements.

INNOVATIVE DESIGNS, INC.

(A Development Stage Company)

NOTES TO FINANCIAL STATEMENTS

1.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations - Innovative Designs, Inc., (the Company) was incorporated in Delaware on June 25, 2002 to provide unique recreational products that are made of eliotex, a material with buoyancy and thermal resistant properties, such as sleeping bags, swimming, hunting apparel, and survivor all-in one packs.

Basis of Accounting - The financial statements are prepared using the accrual basis of accounting in which revenues are recognized when earned and expenses are recognized when incurred.

Fiscal Year End - The Company's fiscal year ends on October 31.

Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts and disclosures. Actual results may differ from these estimates and assumptions.

Cash and Cash Equivalents - The Company defines cash and cash equivalents as those highly liquid investments purchased with a maturity of three months or less.

Revenue Recognition - The Company recognizes revenue when persuasive evidence of an arrangement exists, delivery has occurred, the sales price is fixed or determinable and collectibility is probable. Revenue is derived from sales of the Company's recreational products such as sleeping bags, stadium packs and swimsuits. Sales of these items are recognized when the items are shipped. The Company offers a 5 day return policy and no warranty on all of its products.

Financial Instruments - Fair value estimates discussed herein are based upon certain market assumptions and pertinent information available to management as of October 31, 2004. The respective carrying value of certain on-balance-sheet financial instruments approximated their fair values. These financial instruments include cash, accounts receivable, accounts payable and notes payable. Fair values were assumed to approximate carrying values for these financial instruments because they are short term in nature and their carrying amounts approximate fair values. The carrying value of the Company's long-term debt approximated its fair value based on the current market conditions for similar debt instruments.

Allowance for Bad Debts - The Company considers all accounts receivable balances to be fully collectable at October 31, 2004, accordingly, no allowance for doubtful accounts is provided. If amounts become uncollectible, they will be charged to operations when the determination is made.

Inventory - Inventory consists principally of purchased finished goods. Inventory is stated at the lower of cost or market on a first-in, first-out basis.

Property and equipment - Property and equipment are recorded at cost. Depreciation is computed using the straight line method over the estimated useful lives of the related assets.

- 66 -

INNOVATIVE DESIGNS, INC.

(A Development Stage Company)

NOTES TO FINANCIAL STATEMENTS

Property and equipment are summarized by major classification as follows:

Equipment

7 years

Furniture and fixtures

7 years

Leasehold improvements

5 years

Automobiles

5 years

Maintenance and repairs are charged to operating expenses as incurred, significant improvements are capitalized. When property is sold or otherwise disposed of, the asset account and related accumulated depreciation account are relieved, and any gain or loss is included in operations.

Impairment of Long-Lived Assets - The Company reviews the carrying value of its long-lived assets annually or whenever events or changes in circumstances indicate that the historical cost-carrying value of an asset may no longer be appropriate. The Company assesses recoverability of the carrying value of the asset by estimating the future net cash flows expected to result from the asset, including eventual disposition. If the future net cash flows are less than the carrying value of the asset, an impairment loss is recorded equal to the difference between the asset's carrying value and fair value. There was no impairment of long-lived assets during 2004 or 2003.

Income taxes - The Company follows SFAS 109 "Accounting for Income Taxes" for recording the provision for income taxes. Deferred tax assets and liabilities are computed based upon the difference between the financial statement and income tax basis of assets and liabilities using the enacted marginal tax rate applicable when the related asset or liability is expected to be realized or settled. Deferred income tax expenses or benefits are based on the changes in the asset or liability each period. If available evidence suggests that it is more likely than not that some portion or all of the deferred tax assets will not be realized, a valuation allowance is required to reduce the deferred tax assets to the amount that is more likely than not to be realized. Future changes in such valuation allowance are included in the provision for deferred income taxes in the period of change.

Net Income (Loss) Per Common Share - The Company calculates net income (loss) per share as required by Statement of Financial Accounting Standards (SFAS) 128, "Earnings per Share." Basic earnings (loss) per share is calculated by dividing net income (loss) by the weighted average number of common shares outstanding for the period. Diluted earnings (loss) per share is calculated by dividing net income (loss) by the weighted average number of common shares and dilutive common stock equivalents outstanding. During periods in which the Company incurs losses common stock equivalents, if any, are not considered, as their effect would be anti dilutive.

Stock-Based Compensation - The Company accounts for equity instruments issued to employees for services based on the fair value of the equity instruments issued and accounts for equity instruments issued to other than employees based on the fair value of the consideration received or the fair value of the equity instruments, whichever is more reliably measurable.

The Company accounts for stock based compensation in accordance with SFAS 123, "Accounting for Stock-Based Compensation." The provisions of SFAS 123 allow companies

- 67 -

INNOVATIVE DESIGNS, INC.

(A Development Stage Company)

NOTES TO FINANCIAL STATEMENTS

to either expense the estimated fair value of stock options or to continue to follow the intrinsic value method set forth in APB Opinion 25, "Accounting for Stock Issued to Employees" (APB 25) but disclose the pro forma effects on net income (loss) had the fair value of the options been expensed. The Company has elected to continue to apply APB 25 in accounting for its stock option incentive plans.

Recent Pronouncements

In November 2004, the FASB issued SFAS 151, "Inventory Costs - an amendment of ARB 43, Chapter 4 . SFAS 151 amends guidance within ARB No. 43, Chapter 4 Inventory Pricing . The Statement clarifies the accounting for abnormal amounts of idle facility expense, freight, handling costs, wasted material (spoilage). The adoption of SFAS 151 by the Company is not expected to have a material impact on the Company's financial position, results of operations, or cash flows.

In December 2004, the Financial Accounting Standards Board ("FASB") issued SFAS 153, "Exchange of Nonmonetary Assets - an Amendment of APB Opinion No. 29 . SFAS 153 addresses the measurement of exchange of nonmonetary assets. The Statement eliminates the exception from fair value measurement for nonmonetary exchanges of similar productive assets and replaces it with an exception for exchange that does not have commercial substance. As specified in the Statement, nonmonetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. The adoption of SFAS 153 by the Company is not expected to have a material impact on the Company's financial position, results of operations, or cash flows.

2.

BASIS OF REPORTING

The Company's financial statements are presented on a going concern basis, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business.

The Company has experienced significant losses from operations. For years ended October 31, 2004 and 2003, the Company incurred a net loss of \$1,933,630 and \$2,398,169, respectively. In addition, the Company has an accumulated deficit of \$4,909,860 and a working capital deficit of \$678,664 at October 31, 2004.

The Company's ability to continue as a going concern is contingent upon its ability to expand its operations and secure additional financing. The Company is currently pursuing financing for its operations and seeking to expand its operations. Failure to secure such financing or expand its operations may result in the Company not being able to continue as a going concern.

The financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from the possible inability of the Company to continue as a going concern.

INNOVATIVE DESIGNS, INC.
(A Development Stage Company)

NOTES TO FINANCIAL STATEMENTS

3.

PROPERTY AND EQUIPMENT

Property and equipment are summarized by major classifications as follows:

2004

Equipment

7 yr.

\$

5,558

Furniture and fixtures

7 yr.

7,104

Leasehold improvements

5 yr.

18,331

Automobile

5 yr

30,993

Less accumulated depreciation

(4,875)

\$

26,118

Depreciation expense for the years ended October 31, 2004 and 2003 was \$8,325 and \$7,875. \$3,000 of the equipment and \$2,875 of the furniture and fixtures were purchased during 2002 from a company owned by one of the founding shareholders and have been recorded at the original cost of the founding shareholder's company.

4.

COMMON STOCK

In June 2002, four founders were issued a total of 14,050,000 shares of Innovative Designs common stock valued at par or \$1,405.

In June 2002, the Company sold 20,500 shares of common stock for \$.75 per share or \$15,375.

In June 2002, the Company issued 623,500 shares of common stock for services valued at \$.75 per share or \$467,625.

In July 2002, the Company sold 31,000 shares of common stock for \$1 per share or \$31,000.

In August 2002, the Company sold 26,000 shares of common stock for \$1 per share or \$26,000.

Edgar Filing: INNOVATIVE DESIGNS INC - Form 10KSB

In August 2002, the Company sold 49,000 shares of common stock for \$2 per share or \$98,000.

In August 2002, the Company issued 5,000 shares of common stock for services valued at \$2 per share or \$10,000.

In September 2002, the Company sold 48,500 shares of common stock for \$2 per share or \$97,000.

In October 2002, the Company sold 25,250 shares of common stock for cash at \$2 per share or \$50,500.

- 69 -

INNOVATIVE DESIGNS, INC.

(A Development Stage Company)

NOTES TO FINANCIAL STATEMENTS

During February 2003 the Company issued 525,000 shares of common stock for services valued at \$2 per share or \$1,050,000 and 175,125 shares of common stock for cash at \$2 per share or \$350,250. In addition, 25,000 shares previously issued were cancelled.

During September 2003 the Company issued 450,000 shares of common stock for services valued at \$2 per share or \$900,000.

During October 2003 the Company sold 63,300 shares of common stock for cash at \$2 per share or \$126,000.

During October 2003 the Company issued 10,000 shares of common stock for cash at \$2 per share or \$20,000.

During November 2003 the Company sold 12,950 shares of common stock for cash at \$2 per share or \$25,900.

During November 2003 the Company issued 380,000 shares of common stock for services valued at \$2.00 per share or \$760,000.

During November 2003 the Company issued 140,000 shares of common stock for services valued at \$2.00 per share or \$280,000.

During December 2003 the Company sold 5,500 shares of common stock for cash at \$2 per share or \$11,000.

During March 2004 the Company issued 80,000 shares of common stock for services valued at \$1.20 per share or \$96,000.

During December 31, 2003 the Company issued 805,000 shares of common stock for services valued at \$2 per share or \$1,610,000.

During April 2004 the Company sold 50,000 shares of common stock for cash at \$1 per share or \$50,000.

During June 2004 the Company sold 132,000 shares of common stock for cash at \$0.61 per share or \$80,520.

During July 2004 the Company issued 100,000 shares of common stock for services valued at \$2 per share or \$200,000.

During July 2004 the Company reacquired for non-performance 1,050,000 shares valued at \$2 per share or \$(2,100,000).

During July 2004 the Company issued 150,000 shares of common stock for services valued at \$2 per share or \$300,000.

During October 2004 the Company issued 21,000 shares of common stock for services valued at \$0.52 per share or \$10,920.

INNOVATIVE DESIGNS, INC.

(A Development Stage Company)

NOTES TO FINANCIAL STATEMENTS

5.

INCOME TAXES

The Company accounts for income taxes under SFAS 109, which requires use of the liability method. SFAS 109 provides that deferred tax assets and liabilities are recorded based on the differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, referred to as temporary differences. Deferred tax assets and liabilities at the end of each period are determined using the currently enacted tax rates applied to taxable income in the periods in which the deferred tax assets and liabilities are expected to be settled or realized.

The provision for income taxes differs from the amount computed by applying the statutory federal income tax rate to income before provision for income taxes. The sources and tax effects of the differences are as follows:

2004

Income tax provision at

the federal statutory rate

34 %

Effect of operating losses

(34)%

—

The Company's deferred tax asset is as follows:

2004

Deferred tax assets

\$

286,000

Less: valuation allowance

(286,000)

Net deferred taxes

\$

—

The Company has a net operating loss of approximately \$842,000 at October 31, 2004, which can be carried forward through October 31, 2024. The principal difference between the net operating loss for book purposes and income tax purposes results from common shares issued for services aggregating of \$3,575,030 and \$2,429,030 at October 31, 2004 and 2003, respectively.

6.

COMMITMENTS

The Company currently maintains two offices which are leased pursuant to an oral agreement on a month-to-month basis for approximately \$3,300 per month. For the years ended October 31, 2004 and 2003, rent expense totaled approximately \$39,600 for each year.

7.

RELATED PARTY TRANSACTIONS

On November 25, 2002, the Company purchased a product license for \$1,250,000 from a company owned by the majority shareholder of the Company. The License Agreement is for 10 years and gives the Company the exclusive right to manufacture and market Eliotex, a

- 71 -

INNOVATIVE DESIGNS, INC.

(A Development Stage Company)

NOTES TO FINANCIAL STATEMENTS

fabric used in recreational products. The Company will have the option to renew the agreement for four subsequent terms of ten years each.

The Company paid \$50,000 upon signing in November 2002, with the remaining amount payable at \$400,000 per year for the next three years. The note bears no interest, therefore the Company discounted the payments due under the agreement using a discount rate of 30 percent. Imputed interest expense of \$218,184 and \$177,310 has been recorded through October 31, 2004 and 2003, respectively. The discounted value of the note payments in addition to the \$50,000 already paid totaled \$618,145 at October 31, 2003. At October 31, 2004, the discounted value of the note payments and imputed interest totaled \$963,639. No payments have been made on this note for amounts due in November 2004 or 2003.

Because the license was purchased from a company owned by the majority shareholder, it must be recorded at the shareholder's cost which was \$0. The \$618,145 the Company paid in excess of the shareholder's cost was recorded as a reduction of paid in capital.

8.

NOTES PAYABLE

During July 2004, the Company borrowed \$100,000 from an individual with interest at 8.00%. The loan plus interest is payable in October 2004. The loan has been extended to February 15, 2005 at which time all principal and interest is due and payable. The loan proceeds were used to fund operations. Interest of \$2,000 has been recorded through October 31, 2004 on this note.

The Company was indebted to a financial institution pursuant to a note payable secured by automotive equipment in the amount of \$41,166 at October 31, 2003. This amount was paid in full as part of the insurance proceeds for the casualty loss caused by the flood as further explained in Note 9, CASUALTY LOSS OF PROPERTY DUE TO FLOOD.

9.

CASUALTY LOSS OF PROPERTY DUE TO FLOOD

On September 18, 2004, the Company suffered a significant loss of its inventory, raw material, and automotive equipment when the leased warehouse in which it maintained these items was flooded by the remnants of Hurricane Ivan. The combined book value of the lost inventory, raw material, and automotive equipment is \$173,830. Additionally, the Company issued 21,000 shares of its common stock to various individuals, in exchange for moving and cleaning services. The Company valued these shares at approximately \$0.52 per share or an aggregate of \$10,920. The Company is to receive total proceeds from the insurance companies of \$67,802, resulting in a net casualty loss of \$116,948. At October 31, 2004, there was a receivable amount due from the insurance companies of \$24,954 of total proceeds to be received.

10.

CONTINGENCIES AND UNCERTAINTIES

The Company became aware, by virtue of communication from certain of its customers and/or prospective customers, of their receipt of a letter from attorneys purporting to represent Elio Cattan, informing said parties that the Company was infringing on a patent held by Mr. Cattan in its manufacture and use of products containing Eliotex. Said letter went on to threaten unspecified reprisals against any party that continued to so infringe,

- 72 -

INNOVATIVE DESIGNS, INC.

(A Development Stage Company)

NOTES TO FINANCIAL STATEMENTS

and further actively solicited the purchase of Eliotex from Mr. Cattan. No legal action was instituted by Mr. Cattan to support said allegations; the letters were mere recitations that the Company strongly believes are false, fraudulent and malicious.

In response, the Company caused to be filed a Declaratory Judgment Action in the United States District Court for the Western District of Pennsylvania at Case No. Cv04-0593 on April 20, 2004. In said Action, in which the Company was joined by RMF Global, Inc., the Company seeks:

(1)

a declaration that it did not infringe on U.S. Patent No. 6,083,999;

(2)

a declaration that said patent is invalid and unenforceable;

(3)

a declaration that the plaintiffs have not infringed on the Eliotex trademark;

(4)

an injunction prohibiting any further tortious interference with the Company's business and contractual relations; and

(5)

an injunction prohibiting any further engaging in unfair competition.

Without answering or denying any of the Company's allegations, Mr. Cattan sought to stay the District Court proceedings, pending an arbitration proceeding to determine the merits of the dispute among the parties. That Motion was granted by the Court. A subsequent Motion was filed by the Company, seeking to dismiss any claims the Court might find to be arbitrable, and lift the stay with respect to the remaining claims so that Mr. Cattan's allegations may be subject to the scrutiny of a court of law. That Motion was denied by the Court.

The Company is of the strong opinion and belief, as is its counsel, that the District Court has erred in its interpretation of both the facts and the law in this case, and is in the process of taking an appeal of Judge Schwab's Orders before the Third Circuit Court of Appeals of the United States District Court. The Company is confident of its position, and the likelihood of its success on the merits, and views the actions of Mr. Cattan as desperate delay tactics designed to enable him to attempt the perpetuation of a fraud upon both the Company and its customers and prospective customers.

The Company has also instructed its counsel to take all actions necessary and proper to protect the interests of both the Company, its shareholders and all other entities and individuals with which it conducts business.

11.

SUBSEQUENT EVENTS

Through January 7, 2005 the Company issued 166,000 shares of common stock. 100,000 shares were valued at \$0.75 per share for services or \$75,000, 16,000 shares were valued at \$0.50 per share for services or \$8,000 and 50,000 shares were valued at \$0.55 per share for services or \$27,500.

3,000 shares of the previously issued common stock were returned to the Company due to nonperformance of the services. These services were valued at \$1.20 per share.

- 73 -

INNOVATIVE DESIGNS, INC.

(A Development Stage Company)

ITEM 8.

CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS AND FINANCIAL DISCLOSURE.

On October 27, 2003, we reported in a Form 8K-A, that: (a) on September 23, 2003, we changed accountants from Malone & Bailey, PLLC to Stark Winter Schenkein & Co., LLP; (b) we decided to dismiss Malone & Bailey, PLLC as our independent accountants; (c) Malone & Bailey, PLLC's reports on the financial statements were not subject to an adverse or qualified opinion or a disclaimer of opinion and were not modified as to uncertainty, audit scope or accounting principles during the period from inception (June 25, 2002) to October 31, 2002 and the interim period through September 23, 2003; (d) the decision to change accountants was approved by the our Board of Directors; (e) during the period from inception (June 25, 2002) to October 31, 2002 and the interim period to September 23, 2003, there were no disagreements with Malone & Bailey, PLLC related to accounting principles or practices, financial statement disclosure or auditing scope or procedure, which disagreements, if not resolved to the satisfaction of Malone & Bailey, PLLC, would have caused Malone & Bailey, PLLC to make reference to the subject matter of the disagreement in connection with its report; and (f) on September 23, 2003, we engaged Stark Winter Schenkein & Co., LLP as our independent accountants; and (g) we did not consult with Stark Winter Schenkein & Co., LLP, our new independent accountants, regarding any matter prior to its engagement.

On June 29, 2004, we reported in a Form 8-K, that:

(a)

on June 1, 2004, Innovative Designs, Inc. (the Registrant) engaged Louis Plung & Company, LLP to act as the Registrant's independent certified public accountant. Louis Plung & Company, LLP replaces Stark Winter Schenkein & Co., LLP who resigned on May 6, 2004.

(b)

Stark Winter Schenkein & Co., LLP reports on the financial statements were not subject to an adverse or qualified opinion or a disclaimer of opinion and were not modified as to uncertainty, audit scope or accounting principles during the year ended October 31, 2003 and the interim period through May 6, 2004, except that the report on the financial statements for the year ended October 31, 2003 contained a going concern qualification.

(c)

The decision to change accountants was approved by the Registrant's Board of Directors; and

(d)

We did not consult with Louis Plung & Company, LLP, our new independent accountants, regarding any matter prior to its engagement.

(e)

During the year ended October 31, 2003 and the interim period through May 6, 2004 there were no disagreements with Stark Winter Schenkein & Co., LLP related to accounting principles or practices, financial statement disclosure or auditing scope or procedure, which disagreements, if not resolved to the satisfaction of Stark Winter Schenkein & Co., LLP, would have caused Stark Winter Schenkein & Co., LLP, to make reference to the subject matter of the disagreement in connection with its report.

INNOVATIVE DESIGNS, INC.

(A Development Stage Company)

ITEM 8A.

CONTROLS AND PROCEDURES

As of October 31, 2004 and 2003, an evaluation was performed under the supervision and with the participation of our 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 that evaluation, our management, including our Chief Executive Officer and Principal Financial Officer, concluded that our disclosure controls and procedures were effective as of October 31, 2004 and 2003.

There have been no significant changes in our internal control over financial reporting during the fiscal year ended October 31, 2004 and 2003, or subsequent to October 31, 2004, that have materially affected or are reasonably likely to materially affect, our internal control over financial reporting.

INNOVATIVE DESIGNS, INC.**(A Development Stage Company)**

PART III

ITEM 9.

DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS; COMPLIANCE WITH SECTION 16(A) OF THE EXCHANGE ACT

Directors and Executive Officers

Our executive officers are elected annually by our board of directors. A majority vote of the directors who are in office is required to fill vacancies on the board. Each director shall be elected for the term of one (1) year and until his successor is elected and qualified, or until his earlier resignation or removal. The directors named above will serve until the next annual meeting of our shareholders which is held within sixty (60) days of our fiscal year end, or until a successor is elected and has accepted the position.

None of our directors hold directorships in any Securities and Exchange Commission reporting companies. Our directors and executive officers are as follows:

<u>Name</u>	<u>Age</u>	<u>Position</u>	<u>Term</u>
-	-	-	-
<u>Frank Riccelli</u>	<u>44</u>	<u>President/Director</u>	<u>1 year</u>
<u>Joseph Riccelli</u>	<u>54</u>	<u>Chief Executive Officer/Chairman</u>	<u>1 year</u>
<u>Dean P. Kolocouris</u>	<u>32</u>	<u>Director</u>	<u>1 year</u>
<u>Robert D. Monsour</u>	<u>50</u>	<u>Director</u>	<u>1 year</u>
<u>Dominic Cerniglia</u>	<u>70</u>	<u>Director</u>	<u>1 year</u>
<u>Anthony Fonzi</u>	<u>56</u>	<u>Chief Financial Officer/Director</u>	<u>1 year</u>
<u>Joseph A. Riccelli</u>	<u>23</u>	<u>Vice President</u>	<u>Not Applicable</u>
-	-	-	-

Family Relationships

Frank Riccelli, our President and Director, and Joseph Riccelli, our Chief Executive Officer and Chairman of the Board, are brothers. Joseph A. Riccelli, our Vice President, is the son of our Chief Executive Officer, Joseph Riccelli, and the nephew of our President, Frank Riccelli.

Frank Riccelli has been our President and a Director since our inception in June 2002. Frank Riccelli dedicates only approximately 30 hours per week to our business and operations. From April 1989 to present, Frank Riccelli has been the owner and president of Exceptional Motor Cars, a car dealership located in Glenshaw, Pennsylvania. Additionally, since March 1981 to present, Frank Riccelli has been the owner of Pittsburgh Foreign Domestic, a car dealership located in Glenshaw, Pennsylvania. Frank Riccelli attended the Community College of Allegheny County from 1979 to 1981.

Joseph Riccelli has been our Chief Executive Officer and Chairman of the Board since our inception in June 2002. Joseph Riccelli now spends approximately 40 hours per week to implement our Plan of Operations; however, upon completion of our Plan of Operations, if ever, he plans to spend only half time to our operations and the other half of his time to our

INNOVATIVE DESIGNS, INC.

(A Development Stage Company)

affiliated entity, RMF Global. From February 1999 to present, Joseph Riccelli has been the President, Owner and Chief Executive Officer of RMF Global, our licensor/eliotex distributor located in Pittsburgh, Pennsylvania. From February 1999 to our inception, Mr. Riccelli worked full time at RMF Global; however, since our inception, he has devoted only 10 hours per week to RMF Global's operations. From March 1984 to November 1998, Joseph Riccelli was the owner of Pittsburgh Foreign and Domestic, a sole proprietor car dealership located in Glenshaw, Pennsylvania. Joseph Riccelli attended Point Park College located in Pittsburgh, Pennsylvania from 1971 to 1972.

Dean P. Kolocouris has been one of our Directors since our inception in June 2002. From December 1996 to present, Mr. Kolocouris has been a Loan Officer and Assistant Vice President at Eastern Savings Bank located in Pittsburgh, Pennsylvania. In June 1993, Mr. Kolocouris received a Bachelors Degree in Finance from Duquesne University located in Pittsburgh, Pennsylvania.

Robert D. Monsour has been one of our Directors since our inception in June 2002. From July 1984 to November 1997, Mr. Monsour was the owner and founder of his own law firm, Robert D. Monsour, Esq., P.C., located in Pittsburgh, Pennsylvania. From November 1997 to present, Mr. Monsour has been the Administrator of RGM Medical Management, a medical management firm headquartered in Pittsburgh, Pennsylvania. Mr. Monsour received the following degrees from the University of Pittsburgh located in Pittsburgh, Pennsylvania: (a) Juris Doctor Degree in May 1983; (b) completed the course of study for a Masters Degree in International Affairs at the Graduate School of Public and International Affairs in May 1983, with the exception of a required Masters Thesis; and (c) Bachelor of Arts Degree in Political Science in May 1978.

Dominick Cerniglia has been one of our Directors since our inception in June 2002. Mr. Cerniglia has been a licensed insurance agent in Pennsylvania since December 1959. From August 1996 to present, Mr. Cerniglia has been the owner and president of D. Cerniglia Insurance, a Pennsylvania licensed insurance firm located in Pittsburgh, Pennsylvania.

Anthony Fonzi has been one of our Directors and our Chief Financial Officer and Chief Accounting Officer since our inception in June 2002. From our inception to April 14, 2003, Mr. Fonzi spent approximately 10 hours a week as our Chief Financial Officer and Chief Accounting Officer. Since April 15, 2003, Mr. Fonzi has spent approximately 20 hours a week as our Chief Financial Officer and Chief Accounting Officer. From June 1995 to present, Mr. Fonzi has been a Tax Director at D. Cerniglia and Associates, a Certified Public Accounting firm located in Monroeville, Pennsylvania. As Tax Director, Mr. Fonzi is responsible for all tax functions on behalf of D. Cerniglia and Associates. In May 1985, Mr. Fonzi received a Masters Degree in Taxation from Robert Morris College located in Pittsburgh, Pennsylvania. In May 1970, Mr. Fonzi received a Bachelors Degree in Accounting from Robert Morris College.

Joseph A. Riccelli, Jr., 22, has been our Vice President since May 15, 2003. From November of 2002 until May 14, 2003, Mr. Riccelli was our Vice President on a consultant basis. As Vice President, Mr. Joseph A. Riccelli assists our Chief Executive Officer on a full-time basis by overseeing our daily operations and our distribution center. From June 2002 to October 2002, Joseph A. Riccelli was our outside consultant to assist in overseeing our daily

- 77 -

INNOVATIVE DESIGNS, INC.

(A Development Stage Company)

operations. From June 2001 to June 2002, Mr. Riccelli was the Vice President of RMF Global. Mr. Riccelli has no other employment experience. Joseph A. Riccelli has been attending the University of Pittsburgh since September 2001 and is majoring in Business Administration.

Significant Employees

We have the following additional significant employees:

Dave Shondeck, 36, has been our Director of Product Development Research since April 15, 2003, and spends approximately 30 hours per week regarding this position. From January 2003 until April 14, 2003, Mr. Shondeck was our Director of Product Development Research on a consultant basis. During only June 2002, Mr. Shondeck was our consultant to assist in formulating our business plan. From June 2000 to November 2002, Mr. Shondeck was employed as a Marketing and Financial Consultant by Fonzi and Associates, an accounting and financial services firm located in Pittsburgh, Pennsylvania. From May 1996 to February 2001, Mr. Shondeck was employed as a Sales and Marketing Product Manager with Dt Technologies, Inc., a manufacturing technology firm located in Pittsburgh, Pennsylvania. In May 1987, Mr. Shondeck obtained a BSBA Degree in accounting from Duquesne University located in Pittsburgh, Pennsylvania.

Committees of the Board Of Directors

We presently do not have an audit committee, compensation committee, nominating committee, an executive committee of our board of directors, stock plan committee or any other committees. However, our board of directors is considering establish various committees during the current fiscal year.

Audit Committee Financial Expert

We have no financial expert. We believe the cost related to retaining a financial expert at this time is prohibitive. Further, because of our start-up operations, we believe the services of a financial expert are not warranted.

Code of Ethics

We have not yet adopted a corporate code of ethics. Our board of directors is considering, over the next year, establishing a code of ethics to deter wrongdoing and promote honest and ethical conduct; provide full, fair, accurate, timely and understandable disclosure in public reports; comply with applicable laws; ensure prompt internal reporting of code violations; and provide accountability for adherence to the code.

INNOVATIVE DESIGNS, INC.

(A Development Stage Company)

Legal Proceedings

None of our officers, directors, or persons nominated for such position, significant employees, or promoters have been involved in legal proceedings that would be material to an evaluation of their ability or integrity, including:

.

involvement in any bankruptcy;

.

conviction in a criminal proceeding;

.

being the subject of a pending criminal proceeding;

.

being the subject of any order or judgment, decree permanently or temporarily enjoining, barring, suspending or otherwise limiting their involvement in any type of business, securities or banking activities; and

.

being found by a court of competent jurisdiction (in a civil action), the Securities and Exchange Commission or the Commodity Futures Trading Commission to have violated a federal or state securities or commodities law, and the judgment has not been reversed, suspended, or vacated.

ITEM 10.

EXECUTIVE COMPENSATION

The following Executive Compensation Chart highlights the terms of compensation for our Executives.

INNOVATIVE DESIGNS, INC.**(A Development Stage Company)**

Summary Compensation Chart

Name and Postion	<u>Year</u>	Annual Compensation			Long-Term Compensation		
		<u>Sales (\$)</u>	<u>Bonus (\$)</u>	<u>Other (\$)</u>	<u>Restricted (\$)</u>	<u>Stock Options (\$)</u>	<u>Awards (\$)</u>
Frank Riccelli	2002	-	-	-	2,050,000	-	-
President/Director							
Frank Riccelli	2003	-	-	-	-	-	-
President/Director							
Frank Riccelli	2004	-	-	-	-	-	-
President/Director							
Joseph Riccelli	2002	-	-	-	10,500,000	-	-
Chief Executive Officer Chariman							
Joseph Riccelli	2003	-	-	-	-	-	-
Chief Executive Officer Chariman							
Joseph Riccelli	2004	-	-	-	-	-	-

Chief Executive
Officer Chariman

Joseph A. Riccelli	2002		-		750,000	-	-
--------------------	------	--	---	--	---------	---	---

Vice President

Joseph A. Riccelli	2003	-	-	-	-	-	-
--------------------	------	---	---	---	---	---	---

Vice President

Joseph A. Riccelli	2004	-	-	-	-	-	-
--------------------	------	---	---	---	---	---	---

Vice President

Michelle Griffin	2002	-	-	-	40,000	-	-
------------------	------	---	---	---	--------	---	---

VP Sales and
Marketing

Michelle Griffin	2003	55,000	-	-	-	-	-
------------------	------	--------	---	---	---	---	---

VP Sales and
Marketing

INNOVATIVE DESIGNS, INC.

(A Development Stage Company)

There are no employment agreements between us and our executive officers, Frank Riccelli or Joseph Riccelli. We have a May 2003 verbal agreement with Michelle Griffith, our Vice President of Sales and Marketing, which provides that we pay Ms. Griffith a \$55,000 annual salary for the period from May 2003 to May 2004. On October 30, 2004, resigned as an employee of the Company. We have a May 2003 verbal agreement with Joseph A. Riccelli, our Vice President, which provides that we pay Joseph A. Riccelli a \$31,000 annual salary for the period from May 2003 to May 2004. There are no change of control arrangements, either by means of a compensatory plan, agreement, or otherwise, involving our current or former executive officers. There are no automobile lease agreements or key man life insurance policies that are to the benefit of our executive officers, in which we would make such payments. There are no standard or other arrangements in which our directors are compensated for any services as a director, including any additional amounts payable for committee participation or special assignments. There are no other arrangements in which any of our directors were compensated during our last fiscal year for any service provided as a director.

INNOVATIVE DESIGNS, INC.**(A Development Stage Company)**

ITEM 11.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The following tables set forth the ownership as of January 7, 2005 (a) by each person known by us to be the beneficial owner of more than five percent (5%) of our outstanding common stock, and (b) by each of our directors, by all executive officers and our directors as a group.

To the best of our knowledge, all persons named have sole voting and investment power with respect to such shares, except as otherwise noted. There are not any pending or anticipated arrangements that may cause a change in our control.

Security Ownershp of Beneficial Owners

<u>Title of Class</u>	<u>Name and Address</u>	<u>Amount</u>	<u>Nature</u>	<u>Percent</u>
Common Stock	Joseph Riccelli Chief Executive Officer Chairman of the Board of Directors 142 Loire Valley Drive Pittsburgh, PA 15209	10,500,000	Direct	61.52%
Common Stock	Frank Riccelli President and Director 152 Wedgewood Drive Gibsonia, PA 15044	2,050,000	Direct	12.01%
Common Stock	Gino M. Riccelli 221 N. Main Street Apartment 1	750,000	Direct	4.40%

Edgar Filing: INNOVATIVE DESIGNS INC - Form 10KSB

Pittsburgh, PA 15215

Common Stock	Joseph A. Riccelli Trust Vice President 223 N. Main Street Apartment 6 Pittsburgh, PA 15215	750,000	Direct	4.40%
Total		14,050,000.00		82.33%

INNOVATIVE DESIGNS, INC.**(A Development Stage Company)**

Security Ownership of Management

<u>Title of Class</u>	<u>Name and Address</u>	<u>Amount</u>	<u>Nature</u>	<u>Percent</u>
Common Stock	Joseph Riccelli Chief Executive Officer Chairman of the Board of Directors 142 Loire Valley Drive Pittsburgh, PA 15209	10,500,000	Direct	61.52 %
Common Stock	Frank Riccelli President and Director 152 Wedgewood Drive Gibsonia, PA 15044	2,050,000	Direct	12.01%
Common Stock	Robert D. Monsour Director 6131 Saltzburg Road Murrysville, PA 15668	40,500	Direct	0.23%
Common Stock	Dean P. Kolocouris Director 120 Timberglen Drive Imperial, PA 15126	27,000	Direct	0.16%
Common Stock	Dominic Cerniglia Director 100 Oxford Drive Apt. 116 Monroeville, PA 15146	70,500	Direct	0.41%
Common Stock	Anthony Fonzi Director/Chief Financial Officer 2912 Bryer-Ridge Ct. Export, PA 15632	20,000	Direct	0.12%

Edgar Filing: INNOVATIVE DESIGNS INC - Form 10KSB

Common Stock	Joseph A. Riccelli Trust Vice President 223 N. Main Street Apartment 6 Pittsburgh, PA 15215	750,000	Direct	4.40%
Total		13,458,000		78.85 %

INNOVATIVE DESIGNS, INC.

(A Development Stage Company)

*

As of January 15, 2004, our Director, Dean P. Kolocouris, held 27,000 shares of our common stock, as a result of the sale of 2,000 shares on January 15, 2004. Accordingly, as of January 15, 2004, Director Kolocouris' percentage ownership in our common stock is 0.15.

ITEM 12.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Our officers and directors may encounter conflicts of interests between our business objectives and their own interests. We have not formulated a policy for the resolution of such conflicts. Future transactions or arrangements between or among our officers, directors and shareholders, and businesses they control, may result in conflicts of interest, and the conflicts may be resolved in favor of businesses that our officers or directors are affiliated, which may have an adverse affect on our revenues.

Our officers and directors have the following conflicts of interests:

.

Our Chief Executive Officer and Chairman of the Board, Joseph Riccelli, is the owner of RMF Global, our sublicensor, upon which our entire business is wholly dependent;

.

Our sublicense agreement with RMF Global requires us to pay a total of \$1,250,000 for the grant of a license to sell RMF Global's three products and other products we develop using eliotex, and because Joseph Riccelli, our Chief Executive, is the owner of RMF Global, he will personally benefit from our payment of these license payments to RMF Global;

.

We lease warehouse space that is owned by our President, Frank Riccelli, at a rate of \$2,600 per month;

We lease our executive offices from Riccelli Properties, which is solely owned by our Chief Executive Officer, Joseph Riccelli, for which we pay \$700 per month. RMF Global shares our executive offices rent-free; and

Our officers, directors and key consultants have the following family relationships: (a) Joseph Riccelli, our Chief Executive Officer/Chairman of the Board, is the brother of Frank Riccelli, our President/Director; and (b) Joseph A. Riccelli, Vice President, is the son of our Chief Executive Officer, Joseph Riccelli, and the nephew of Frank Riccelli, our President/Director.

INNOVATIVE DESIGNS, INC.

(A Development Stage Company)

Agreement Between us and RMF Global

On November 25, 2002, we entered into a written agreement with RMF Global. The agreement provides that:

.

RMF Global grants an exclusive license to us to manufacture and market RMF's three products made from eliotex and grants us a license to develop our own products using eliotex;

.

RMF Global assures us of an adequate and timely supply of eliotex to meet our product orders;

.

RMF Global will offer eliotex to us at a price equal to the lowest price it charges any other RMF Global customer;

.

RMF Global will transfer all of its rights, title and interest in all promotional materials, advertisements, marketing strategies, and the like for which it has contracted to us, and we will have the unfettered right to use the same in any manner we see fit; and

.

We must pay \$1,250,000 to RMF Global, as follows: (i) \$50,000 down payment which has been paid; and (ii) three annual payments of \$400,000, due in November 2003, 2004, and 2005.

Other than the above transactions, we have not entered into any material transactions with any director, executive officer, and nominee for director, beneficial owner of five percent (5%) or more of our stock, or family members of such persons where the amount of the transaction or chain of transactions exceeds \$60,000. We are not a subsidiary of any company.

INNOVATIVE DESIGNS, INC.

(A Development Stage Company)

ITEM 13.

EXHIBITS AND REPORTS ON FORM 8-K

Exhibit

Number

Description

3.1	Certificate of Incorporation*
3.2	Bylaws*
4	Specimen Stock Certificate*
5	Opinion of Hamilton, Lehrer and Dargan, P.A.***
10.1	Agreement between us and RMF Global, Inc.*
10.2	Exclusive Agency, Distribution and Marketing Agreement between RMF Global and Mr. Ko-Myung Kim.*
10.5	Agreement between Innovative Designs, Inc. and Haas Outdoors, Inc.**
10.6	Letter of commitment from Innovative Designs, Inc. to Victory Junction Gang Camp**

31.1

Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

32.1

Certification Pursuant To 18 U.S.C. Section 1350, As Adopted Pursuant To Section 906 of the Sarbanes-Oxley Act of 2002

99

Test Results from Vartest Lab*

*

Previously filed as exhibits to Registration Statement on Form SB-2 filed on March 11, 2003

**

Previously filed as exhibits to Registration Statement on Form SB-2 Amendment 2 filed on July 8, 2003

Previously filed as exhibit to Registration Statement on Form SB-2 Amendment 3 filed on August 7, 2003

Previously filed as exhibit to Registration Statement on Form SB-2 Amendment 4 filed on September 9, 2003

We hereby incorporate the following additional documents by reference: (a) our Registration Statement on Form SB-2 and all amendments thereto which was filed on March 11, 2003, and amended on May 22, 2003, July 8, 2003, August 7, 2003, and September 9, 2003; (b) our Form 8-K filed on September 29, 2003 and amended on October 27, 2003; (c) our Form 8-K filed on June 29, 2004; and (d) our Form 8-K filed on September 23, 2004.

(b) Reports on Form 8-K

On September 29, 2003, the registrant filed a Form 8-K under Item 4, "Changes in Registrant's Certifying Accountant". On October 27, 2003, the registrant filed an amendment to this Form 8-K to correct a typographical error.

On June 29, 2004, the registrant filed a Form 8-K under item 4 Changes in Registrant's Certifying Account.

INNOVATIVE DESIGNS, INC.

(A Development Stage Company)

On September 23, 2004, the registrant filed a Form 8-K under item 8 Other Events. Other events consisted of the Company losing various inventory vehicles and other items from flooding caused by the remnants of Hurricane Ivan.

ITEM 14.

PRINCIPAL ACCOUNTANT FEES AND SERVICES

Audit Fees

The aggregate fees billed for the fiscal years ended October 31, 2003 and 2004 for professional services rendered by the principal accountant for the audit of our annual financial statements and review of the financial statements included in our Form 10-KSB or services that are normally provided by the accountant in connection with statutory and regulatory filings or engagements for these fiscal periods were as follows: (a) during fiscal year ended October 31, 2004, our current auditors, Louis Plung & Company billed the Company \$5,000 for professional services; (b) during fiscal year ended October 31, 2003, we paid our prior accountants, Malone & Bailey, PLLC \$4,000 and Stark Winter Schenkein & Co., LLP \$1,750. In addition, during the year ended October 31, 2004, we paid our principal accountants Stark Winter Schenkein & Co., LLP \$7,500 for services related to the audit of the October 31, 2003 financial statements.

Audit Related Fees

None.

Tax Fees

None.

All Other Fees

None.

SIGNATURES

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

INNOVATIVE DESIGNS, INC.

(Registrant)

Date:

January 27, 2005

By:

/s/ Joseph Riccelli

Joseph Riccelli

Chief Executive Officer

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Date:

January 27, 2005

By:

/s/ Joseph Riccelli

Joseph Riccelli

Chief Executive Officer

Chairman of the Board of Directors

Date:

January 27, 2005

By:

/s/ Anthony Fonzi

Anthony Fonzi

Chief Financial Officer,

Principle Accounting Officer,

and Director

Date:

January 27, 2005

By:

s/s Frank Riccelli

Frank Riccelli

Director

Date:

January 27, 2005

By:

s/s Dean P. Kolocouris

Dean P. Kolocouris

Director

Date:

January 27, 2005

By:

s/s Robert D. Monsour

Robert D. Monsour

Director

Date:

January 27, 2005

By:

s/s Dominic Cerniglia

Dominic Cerniglia

Director

EXHIBIT 31.1

INNOVATIVE DESIGNS, INC.

CERTIFICATIONS

I, Joseph Riccelli, certify that:

1.

I have reviewed this annual report on Form 10-KSB of Innovative Designs, Inc.;

2.

Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3.

Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of Innovative Designs, Inc. as of, and for, the periods presented in this report;

4.

The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for Innovative Designs, Inc. and have:

(a)

Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to Innovative Designs, Inc., including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b)

Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c)

Evaluated the effectiveness of Innovative Designs, Inc.'s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d)

Disclosed in this report any change in Innovative Designs, Inc.'s internal control over financial reporting that occurred during the small business issuer's most recent fiscal quarter (the small business issuer's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the small business issuer's internal control over financial reporting; and

5.

The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to Innovative Designs, Inc.'s auditors and the audit committee of Innovative Designs, Inc.'s board of directors (or persons performing the equivalent functions):

(a)

All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect Innovative Designs, Inc.'s ability to record, process, summarize and report financial information; and

(b)

Any fraud, whether or not material, that involves management or other employees who have a significant role in Innovative Designs, Inc.'s internal control over financial reporting.

Date:

January 27, 2005

By:

/s/ Joseph Riccelli

Joseph Riccelli

Chief Executive Officer

EXHIBIT 31.2

INNOVATIVE DESIGNS, INC.

CERTIFICATIONS

I, Anthony Fonzi, certify that:

1.

I have reviewed this annual report on Form 10-KSB of Innovative Designs, Inc.;

2.

Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3.

Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of Innovative Designs, Inc. as of, and for, the periods presented in this report;

4.

The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for Innovative Designs, Inc. and have:

(a)

Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to Innovative Designs, Inc., including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b)

Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c)

Evaluated the effectiveness of Innovative Designs, Inc.'s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d)

Disclosed in this report any change in Innovative Designs, Inc.'s internal control over financial reporting that occurred during the small business issuer's most recent fiscal quarter (the small business issuer's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the small business issuer's internal control over financial reporting; and

5.

The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to Innovative Designs, Inc.'s auditors and the audit committee of Innovative Designs, Inc.'s board of directors (or persons performing the equivalent functions):

(a)

All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect Innovative Designs, Inc.'s ability to record, process, summarize and report financial information; and

(b)

Any fraud, whether or not material, that involves management or other employees who have a significant role in Innovative Designs, Inc.'s internal control over financial reporting.

Date:

January 27, 2005

By:

/s/ Anthony Fonzi

Anthony Fonzi

Chief Financial Officer,

Principal Accounting Officer,

and Director

EXHIBIT 32.1

SECTION 906 CERTIFICATION

CERTIFICATION PURSUANT TO

18 U.S.C. SECTION 1350,

AS ADOPTED PURSUANT TO SECTION 906 OF THE

SARBANES-OXLEY ACT OF 2002

In connection with the Form 10-KSB Annual Report of Innovative Designs, Inc. (the "Company") for the period ended October 31, 2003, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

.
the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

.
the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date:

January 27, 2005

By:

/s/ Joseph Riccelli

Joseph Riccelli

Chief Executive Officer

EXHIBIT 32.2

SECTION 906 CERTIFICATION

CERTIFICATION PURSUANT TO

18 U.S.C. SECTION 1350,

AS ADOPTED PURSUANT TO SECTION 906 OF THE

SARBANES-OXLEY ACT OF 2002

In connection with the Form 10-KSB Annual Report of Innovative Designs, Inc. (the "Company") for the period ended October 31, 2003, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

.
the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

.
the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date:

January 27, 2005

By:

/s/ Anthony Fonzi

Anthony Fonzi

Chief Financial Officer,

Principal Accounting Officer,

and Director

