

INNOVATIVE DESIGNS INC
Form 10KSB/A
May 22, 2006

U.S. SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-KSB

(I)

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

For the fiscal year ended October 31, 2005

()

Transition report under 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 registered or 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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes

—

No

X

The issuer's revenues for its most recent fiscal year were \$312,486.

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 \$7,645,913 as of January 13, 2006.

The number of shares of the issuer's common stock outstanding, as of January 13, 2006 was 17,781,193.

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. Incorporated in the State of Delaware on June 25, 2002, we market recreational products that are made from eliotex, a material with buoyancy and thermal resistant properties. Since our formation and as more fully explained throughout 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;

•

Obtaining retail stores to offer and sell our products; and

•

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

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 produce and distribute three products made with 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 under the label "i.d.i.gear".

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

We currently 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, an affiliated entity, to: (a) produce and distribute sleeping bags, Swimeez, and stadium pack products containing eliotex, which RMF Global developed; and (b) to use eliotex in products which we produce and develop.

We currently have no distribution rights, exclusive or otherwise, to be a distributor of eliotex; however, 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 pages 4. As such, we purchase eliotex from RMF Global to be used in the manufacturing 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. RMF Global is the supplier/distributor of the raw material "eliotex" and does not currently have any future 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.

•

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.

•

Stadium Pack: 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.

•

Hunting Apparel Line: Our hunting apparel provides almost total block from odors provided by the eliotex material. We have sent for a trade mark application for use of the name Scent Barrier on September 26, 2005, which we have not received at the date of the filing of the 10-KSB. The Hunting Apparel Line is being endorsed by Bill Maas, former all pro National Football League football player and Fox Sports Analyst.

•

Fishing Apparel Line: We plan to introduce a full line of fishing apparel featuring eliotex, which will be endorsed by professional fisherman, Jose Wejebe, under the name Jose Wejebe Spanish Fly Fishing Apparel.

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.

Our hunting apparel line is being endorsed by Bill Maas, and we are in the development stage of introducing a full line of fishing apparel as discussed above.

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, the cost of which did not exceed \$1000; and (d) the testing of these products was performed in the "field" by our employees and our Manufacturer's Representative groups, as part of their normal responsibilities.

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 a fixed amount per meter of eliotex. This fixed amount will not change under the agreement for a period of ten (10) years after the date of the agreement was signed. The agreement provides that after the ten (10) year period, the price of the eliotex shall be adjusted for a subsequent ten (10) year term, no more than twelve percent (12%) per the subsequent ten (10) year period. 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 a licensing agreement with RMF Global. 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 floating swimwear, sleeping bags and stadium packs; (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 oversee raw material ordering, receiving and warehousing, sub-manufacturing, warehousing and shipping 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 was paid. Due to cash flow problems experienced by the Company, on January 31, 2005, the holder of the note payable, RMF - Global, Inc. agreed to accept 1,909,098 shares of the Company's \$.0001 par value common stock in settlement of \$763,639 of the Company's obligation. We still have \$200,000 outstanding of a note payable - related party as of the filing date of the Form 10-KSB.

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 pack. "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. During 2005, the Company extended the terms of this agreement with Haas Outdoors. 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 prescribed by copyright laws and unless otherwise indicated, a sufficient copyright notice including 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.

Swimeez Product

Our Swimeez product is intended for use by the following groups that are in the Company's target market 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 in the Company's target market 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 Pack

Our stadium pack products are intended for use by the following groups that are in the Company's target market 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 in the Company's target market 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 in the Company's target market for these products:

- Colleges;
- Sporting teams; and
- Corporations.

Hunting Line

Our hunting line products are intended for use by the following consumer group that are in the Company's target market for these products:

-

Hunting enthusiasts; and

-

Professional hunters.

Fishing Line

Our fishing line products are intended for use by the following consumer groups that are in the Company's target market for these products:

-

Professional fisherman; and

-

Fishing enthusiasts.

- # -

Website and Retailers

We sell both wholesale and retail products on our website. Our website, 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 who 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;

-

Dick Sporting Goods, a Pittsburgh-based retail chain, carries the Bill Maas Hunting Apparel Line;

-

Dunham's Sports, headquartered in Waterford, Michigan, carries the Bill Maas Hunting Apparel Line in the states of Pennsylvania, Ohio, Delaware, Michigan, and Wisconsin;

-

Sportsman's Warehouse, headquartered in Midvale, Utah, carries the Bill Maas Hunting Line in stores across the contiguous United States as well as Alaska;

-

Kittery Trading Post, located in Kittery, Maine, has submitted a purchase order to carry the Bill Maas Hunting Line in 2006;

-

Vern's Archery, located in Silverton, Oregon, carries the Bill Maas Hunting Line;

- Andrew s Archery, located in Frackville, Pennsylvania, carries the Bill Maas Hunting Line;
- M & M Sportshop, located in New Lisbon, Wisconsin, carries the Bill Maas Hunting Line;
- H-B Sportsman s Club, located in Elmira, New York, carries the Bill Maas Hunting Line;
- Gibson s Discount Store, located in Kerrville, Texas, carries the Bill Maas Hunting Line;
- Gassman s Archery, located in San Antonio, Texas, carries the Bill Maas Hunting Line;
- Sierra Trading Post, located in Cheyenne, Wyoming, carries our sleeping bags and All-In-Ones;
- Pennington Seed, located in Greenfield, Missouri, carries our stadium pack;
- 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 currently 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, Jays and Dunhams. 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 Pack Products

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

Windshirts and Jackets

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

Hunting Apparel Line

We plan to distribute our hunting apparel through national and local retail chains.

Six pocket pants, 1/2 zip pullover jacket with collar, parka jacket, fleece jacket, guide series shirt, bib coveralls in light weight, bib coveralls in arctic weight and fishing apparel line. 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

Our vice president of sales and marketing plans 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

In March 2004, we entered into a formalized agreement with Evernham and Anderson

Associates, Inc. They will

represent us in various states throughout the United States as discussed above.

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 are and continue to contract with marketing consultants for services related to literature,

displays, develop brochures, point-of-sale displays, mailers, media materials, and literature and sales tools for our sales representatives and manufacturer representatives.

Establish wholesale

We are and continue to develop relationships or distribution relationships with retail points for our products to retail chain outlets and mass merchandisers to sell our products.

Develop trade show booth

We are and continue to contract with marketing consultants to design and develop a portable display booth, and product materials to be used in sporting goods and outdoor apparel trade shows.

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 pack 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. Our new hunting apparel line also includes a hang tag noting such endorsement.

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 plan to 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 is used for the outer shell and inside lining of our floating swimwear product.

-

Zippers

We plan to purchase zippers from Barbie International Corporation, 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 Pack Products:

-

Eliotex

Eliotex is used in our sleeping bags and stadium pack products as insulation and to provide buoyancy to these products.

-

Rip Stop Nylon

We plan to 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 plan to 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 plan to 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 plan to 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 and Windshirts

-

Eliotex

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

•

Polyester peached microfiber

We plan to 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 and windshirts.

•

Rib knit

We plan to purchase rib knit for our jackets and windshirts 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 is stored 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 PT Lidya and Natalia.

All of our products are sub-manufactured by PT Lidya and Natalia. Because the predominant function of the Stadium Pack 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.

The fulfillment process involved in completing wholesale orders for non stocked swimsuit, sleeping bag, windshirt and jacket 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 retailers.

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

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

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 Pack 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;

•

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 pack 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 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 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.

Floating Swimwear 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 Pack product:

-

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

Windshirts and Jackets

We plan to emphasize the following advantages of our windshirt 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.

Hunting and Fishing Line

We plan to emphasize the following characteristics and advantages of our hunting and fishing line products:

- low weight;
- compactness;
- water proof;
- 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 insulation, i.e. "eliotex", to the hunting industry that has fewer such technical insulations in use by that industry; and
- scent barrier.

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 under our "Research and Development" Section.

Eliotex provides a scent barrier which we had a permeation test performed on at the Texas Research Institute Austin, Inc., at a cost of \$650. The product was subjected to gas simulant for an eight-hour period. The product was tested for permeation of the gas every three minutes for the duration of the test with almost no detection of the gas throughout the test. The testing was based upon accepted industry practices as well as the test method used. We have applied for a trade mark on the name Scent Barrier on September 26, 2005, which we have not received at the date of

the filing of the 10-KSB.

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 product endorsements from professional athletes and sports figures to bolster awareness and image of our products. We currently have former all pro national football league player Bill Maas endorsing our hunting apparel line and Jose Wejebe, professional fisherman, endorsing our fishing apparel line.

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.

-

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 September 26, 2005, we applied for a trade mark for our scent barrier which is used in our hunting and fishing apparel lines. We have not been granted a trade mark at the date of the filing of the 10-KSB.

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, swimeez, and stadium packs 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.

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:

<u>Issue</u>		<u>Test Result</u>
Fabric Weight	0.042 oz./square yard	Low
Fabric Thickness	0.021 inches	Thin
Thermal Retention	Clo value: 2.0	Good
	0.01 cubic feet of air/min/ft2 of material (Good)	Low

Air Permeability

(protection from wind)

Moisture Permeability

(protection from water)

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

Low

During 2005, the Company hired Texas Research Institute Austin, Inc. to perform testing on the permeation of gas on the eliotex product. The testing was based upon accepted industry practices. The permeation test resulted in almost no detection of the gas through the eliotex throughout the testing procedures.

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:

- # -

Department of Transportation

Our shipment of raw materials to our manufacturers is and will be subject 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 Pack and jacket products, all containing "eliotex", which are sub-manufactured by PT Lidya and Natalia and then imported into the United States. Because we purchase the eliotex from RMF Global, we are not required to pay an importation duty to the United States Customs Service on "eliotex"; however, 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, 4 of which are full time employees and 4 of which are part time employees. Our full time employees are:

-

Joseph Riccelli, our Chief Executive Officer;

-

Joseph A. Riccelli, our Vice President;

-

Gregory P. Domian, Vice President of Sales and Marketing; and

-

David Shondeck, our Director of Finance.

We have the following part-time employees:

-

Frank Riccelli, our President;

•

Anthony Fonzi, our Chief Financial Officer/Chief Accounting Officer; 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. 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 Frank Riccelli, and is subject to a \$120,000 mortgage.

We do not own any property nor do we have any plans to own any property in the future. We do not currently 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 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, 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;

(5)

an injunction prohibiting any further engaging in unfair competition; and

(6)

RMF Global uses new and improved eliotex. The new eliotex holds a Korean Patent No. 04 26429.

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.

Subsequent to October 31, 2005, the end of our fiscal year, the Company learned that *Elio Cattan and Eliotex s.r.l.* obtained an arbitration award against the Company in the amount of \$4,176,000.00, on May 6, 2005 from an Italian Arbitration Tribunal. The Company was later informed that Defendant's counsel filed a subsequent motion in the District Court to confirm and enforce the Tribunal's award against the Company and to add Joseph Riccelli as a part to the litigation. As of the date of this filing, no ruling had been made on the above motion.

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.OB. The quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not represent actual transactions.

2005	Low	High
Fourth Quarter	\$.30	\$.75
Third Quarter	\$.17	\$.51
Second Quarter	\$.13	\$.58
First Quarter	\$.20	\$.80

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

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 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.

Holders.

As of January 13, 2006, we had 157 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 13, 2006, there were 4,203,125 shares of our stock held by non-affiliates and 13,573,068 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 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

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding reflected in column (a))
	(a)	(b)	(c)
Equity compensation plans approved by security holders	<u>\$ 400,000</u>	<u>0.42</u> (2)	<u>\$ 180,000</u> (1)

- (1) The Company has issued an additional 317,000 shares of its stock to various consultants in exchange for past and future services. The weight average price per share was \$0.2818.
- (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 \$0.15 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.

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.

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 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.

Edgar Filing: INNOVATIVE DESIGNS INC - Form 10KSB/A

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 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 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 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.