

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

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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

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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:

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Formulating and developing our business plan;

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Raising capital through a private placement of our stock;

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Developing our marketing plan;

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Developing our web site;

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Negotiating and completing our sublicense agreement with RMF Global;

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

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Obtaining retail stores to offer and sell our products; and

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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

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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:

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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.

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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.

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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:

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Stadium seat cushion or pillow;

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Thermal rain parka with a zip-out hood;

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Sleeping Bag;

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Flotation Raft; and

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Double Comforter.

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

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

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

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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.

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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:

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- 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 f