

INNOVATIVE DESIGNS INC
Form 10-K/A
January 11, 2010

U.S. SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K/A-1

Annual report under section 13 or 15(d) of the Securities Act of 1934.
For the fiscal year ended October 31, 2008

Transition report under section 13 or 15(d) of the Securities Act of 1934.
For the Transition period from _____ to _____.

Commission file number: 000-51791

Innovative Designs, Inc.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

03-0465528
(I.R.S. Employer
Identification Number)

223 North Main Street, Suite 1
Pittsburgh, Pennsylvania
(Address of principal executive offices)

(Zip Code)

15215

(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:
Common Stock, \$.001 par value per share
(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
 Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to section 13 or Section 15 (d) of the Act.
 Yes No

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 No

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Indicate by check mark if disclosure of delinquent filers to Item 405 of Regulation S-K (sec. 229.405) is not contained herein, and will not 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-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. (Check One)

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

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

Yes No

The issuer's revenues for its most recent fiscal year were \$543,137.

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 \$2,776,810 as of January 16, 2009.

The number of shares of the issuer's common stock outstanding, as of January 16, 2009 was 18,541,743.

Transitional Small Business Disclosure Format: Yes No

EXPLANATORY NOTE

Innovative Designs, Inc. (the “Company”) is filing this Amendment No. 2 on Form 10-K to amend our Annual Report on Form 10-K for the fiscal year ended October 31, 2008 which was filed with the US Securities and Exchange commission (the “SEC”) on January 29, 2009. (the “Original Filing”).

The purpose of this Amendment No.2 is to respond to certain comments received from the staff of the SEC. The following sections of the Original Filing have been revised to reflect the staff’s comments:

- Cover Page
- Recent Sales of Unregistered Securities
- Management’s Discussion and Analysis of Financial Condition and Results of Operations
- Controls and Procedures Directors, Executive Officers and Corporate Governance
- Executive Compensation Security Ownership of Certain Beneficial Owners and management, and Director Independence
- Certain Relationships and Related Transactions
- Exhibits and Financial Statement Schedules Signatures
- Financial Statements
- Section 302 Certifications

This Amendment No.2 does not reflect events that that occurred after the filing of the Original Filing and does not modify or update the disclosure therein in any way other than as required to reflect the matters set forth above. Accordingly, this Amendment No.2 should be read along with our other filings made with the SEC.

ITEM 1. DESCRIPTION OF BUSINESS.

The Company, which was incorporated in the State of Delaware on June 25, 2002, markets cold weather recreational and industrial clothing products that are made from INSULTEX, a low density foamed polyethylene, a material with buoyancy, scent block, and thermal resistant properties. We have a license agreement directly with the owner of the INSULTEX Technology.

During 2006, an Involuntary Chapter 7 Petition was filed against us based upon a judgment award from an Italian Arbitration Panel. On October 31, 2007, we were dismissed from the bankruptcy case.

The distribution rights we have are derived from our license agreement. As such, we purchase INSULTEX to be used in the manufacturing of our products. Similarly, other companies are free to purchase INSULTEX from us assuming that it is a company within the distribution jurisdiction that we have, which is worldwide with the exception of Korea and Japan. Other than Korea and Japan, we are the sole worldwide supplier/distributor of the INSULTEX material.

We offer the following products containing INSULTEX:

- 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 INSULTEX, which enhances floatability.
- Hunting Apparel Line: Our hunting apparel provides almost total block from odors provided by the INSULTEX material. The Hunting Apparel Line is being endorsed by Bill Maas, former all pro National Football League football player. We have also added Mr. Tom Nelson, "The American Archer" to our pro staff and have introduced the new "American Archer" – Tom Nelson Hunting Line for 2007. Tom is seen on the Outdoor Channel and is recognized as one of the premier archers in the industry.
- Arctic Armor Line: The Arctic Armor line, introduced in April of 2006, consists of a jacket, bib and gloves. The suit contains 3 layers of INSULTEX for uncompromised warmth and provides the user with guaranteed buoyancy. The gloves contain a single layer of INSULTEX and are windproof, waterproof and good to sub-zero temperatures as are the jacket and bibs.

Our products are manufactured, under agreement, at a 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 are 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.

The INSULTEX License and Manufacturing Agreement

Under the terms of the agreement between us and the Ketut Group, Ketut Group agrees to promptly deliver to Innovative Designs, Inc. within twenty-eight (28) days of receiving an order, all INSULTEX ordered by us. Under the terms of the agreement, we are required to pay a fixed amount per meter of INSULTEX. This fixed amount will not change under the agreement for a period of ten (10) years after the date of the agreement was signed, which was April 1, 2006.

The agreement provides that after the ten (10) year period, the price of the INSULTEX shall be adjusted for a subsequent ten (10) year term, no more than twelve percent (12%) per the subsequent ten (10) year period. We order INSULTEX from time to time as needed and are not required to purchase any minimum amount of INSULTEX during the term of the agreement, and we are not required to make any minimum annual payment. However, should we place an order, any quantity ordered must be a minimum of 35,000 meters of INSULTEX. We are not required to pay any part of any sublicense fee that we receives from third party sublicensees, and we are not required to pay any fees to the Ketut Group. This agreement will be in full legal force and effect for an initial term of ten (10) years from the date of its execution. We have the option to renew this agreement for up to three (3) successive terms of ten (10) years each by giving notice of our intention to so renew not less than ninety (90) days prior to the expiration of the then-current term.

The Haas Agreement

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 and Duck Blind 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 New BreakUp and Duck Blind patterns. The term of the agreement is two years from the effective date of the agreement, May 30, 2003. During 2007, the Company extended the terms of this agreement with Haas Outdoors for an additional two years. 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.

The Jordan Agreement.

In April 2008, we entered into a licensed agreement with Jordan Outdoor Enterprises, Ltd. for the use of their REAL TREE and ADVANTAGE trademarked artistic camouflage designs. We may use the designs in our hooded jacket, insulated bibs and waterproof/breathable gloves. We must submit all samples of proposed products for preapproval as well as all catalog, advertising, display or promotional copy. Official hangtags or stickers must be affixed to all covered products. All fabrics with the authorized patters must be purchased from an authorized fabric source. The term of the agreement is for five years with the licensor having the right to the agreement upon thirty days notice. We paid a \$500 execution fee.

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.

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.

Arctic Armor Line

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

- Ice fisherman
- Snowmobilers
- Utility workers
- Oil/gas pipeline workers
- Railroad workers
- Construction workers; and
- Ski resort workers.

House Wrap

In early January 2008, we announced that we had completed our research and development effort on a new use for INSULTEX as a house wrap for the building construction industry. This house wrap will provide barrier protection plus moisture vapor transmission and the novel feature of approximately R2 insulation. The house wrap was designed specifically to add enhanced insulating characteristics. In addition the house wrap will be priced competitively with existing house wraps that do not provide any insulation. The development efforts were conducted by our own personnel. The testing phase has been completed and we are now preparing to submit it to an independent testing facility.

Website and Retailers

We sell both wholesale and retail products on our website. Our website, located at www.idigear.com, contains information on our products, technical information on INSULTEX 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 reordering. The web site is hosted by Nidhog Hosting. The secure payment gateway provider for our online e-commerce is SkipJack Financial Services.

Our products are offered and sold by retailers, distributors and companies in approximately twenty-five states, Canada, Russia and Finland who purchase our products at wholesale prices which they plan to sell at their retail prices, or use within their industry:

Sales

We primarily sell our products through independent sales agents and agencies. Once we have made contact with a potential sales agency or solo agent, we evaluate their existing accounts, the capacity and potential for them to effectively push our products. We also look at their current product lines through the sales channel. Our market area is the outdoor industry which includes all activity done in cold weather. These activities include recreational such as hunting, ice fishing, snowmobiling, and industries such as oil and gas, utilities and construction. Once we agree to bring on an independent sales agent or agency, we enter into a standard agreement.

A typical sales representative agreement will have a term of one year with the right of either party to terminate upon thirty days written notice. We do not provide any free samples of our products and all sales expenses are the sole obligation of the sales agent. In the case of our agreement for Russia and Finland, the agent is required to prepay for all products ordered.

Certain retailers buy directly from us. We have no verbal or written agreements with them. These retailers purchase our products strictly on a purchase order basis. During our last fiscal year, we sold our products to such retailers as Gander Mountain, Dicks Sporting Goods, and Scheels All Sports, and Frank's Great Outdoors.

We distribute our products to the following:

Swimeez Products

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

Hunting Apparel Line

We 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. We distribute these products to the public, through trade shows, product information mailings to prospective retail buyers, and private showings to targeted buyers in the retail industry.

Arctic Armor Line

We distribute the Arctic Armor Line to retailers and distributors across the United States, Canada and in Russia and Finland. These products are also marketed to utility companies, oil/gas pipeline workers, railroad workers and to construction workers.

Our marketing program consists of the following:

MARKETING COMPONENT

Webside Development and Internet Marketing

We 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 works to:

- (a) sell our merchandise to retail chain stores;
- (b) attend and network trade shows to establish industry related contracts;
- (c) initiate relationships with local and national recreational organizations; and
- (d) provide support to our manufacturer representatives

Contract with Manufacturer

We utilize the services of sales agencies to represent our products in the United States, Canada, and Russia and Finland.

Public Relations Campaign

Subject to funding, we plan to contract with marketing consultants to develop and distribute press releases regarding company status, product innovations, and other notable events and developments. Currently our public relations are conducted by our own staff.

Design and Develop

We presently use our own staff 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. At such time as we have sufficient funding, we intend to contract out some of these services.

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 use our own personnel to design and develop a portable display booth, and product materials to be used in sporting goods and outdoor apparel trade shows.

We ship wholesale product orders by United Parcel Service or trucking companies. Retail orders from our website are shipped United Parcel Ground Service or Federal Express overnight. The costs of shipping our finished goods are 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 Break Up and New Break Up and Duck Blind 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. REAL TREE and ADVANTAGE hangtags are used for products using these patterns.

INSULTEX will be used in all our finished goods and will be purchased directly from the Ketut Group.

All of our products are sub-manufactured by PT Lidya and Natalia located in Indonesia. 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 on all finished goods, based upon our completed stadium packs. All other products are 6.5% including INSULTEX.

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 products are manufactured on a per order basis.

The fulfillment process involved in completing wholesale orders for non-stocked swimsuit, hunting line and arctic armor products is described below:

- 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 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. The sub-manufacturer procures all materials required for the product.
- 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.
 - Our sub-manufacturers ship finished goods to us.
- 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.

Any inventory we maintain is stored at our warehousing facility. Our warehouse facility has the capacity to hold 250,000 finished products in inventory.

In late 2003, we were granted a trademark for our name "idigear" with the United States Patent and Trademark Office.

In late 2005, we were granted the mark "INSULTEX" by the United States Patent and Trademark Office.

The INSULTEX Technology is protected by a Korean patent. We have been granted a license for marketing and distribution rights for use of INSULTEX in swimeez and stadium packs and the rights to purchase INSULTEX for the manufacture of other apparel and accessory items and any other use containing INSULTEX.

In December 2008, we filed a provisional patent application with the United States Patent and Trademark Office for our Composite House Warp

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

Because we use sub-manufacturers for our products, we do 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 ex-affiliate, RMF Global, hired and paid \$5,275 to Vartest Laboratories, Inc. to perform testing of the INSULTEX material. Other than the testing performed by Vartest Laboratories, Inc, Innovative Designs, Inc. has spent no significant funds on research and development.

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

Issue	Test Result
Fabric Weight	0.042 oz./square yard
Fabric Thickness	0.021 inches
Thermal Retention	Clo value: 2.0
Air Permeability (protection from wind)	0.01 cubic feet of air/min/ft ² of material (Good)
Moisture Permeability (protection from water)	5 grams/sq. meter/24 hrs. (Good)
	Low
	Thin
	Good
	Low
	Low

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

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 7.1% importation duty to the United States Customs Service on all finished goods. All other products are 6.5% including INSULTEX. We import INSULTEX from Indonesia from the Ketut Group, in accordance with Innovative Design's agreement with the Ketut Group.

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 have established M.A.P. (minimum advertised pricing) on our Arctic Armor™ suit in an attempt to allow all retailers and distributors carrying the line to obtain reasonable gross margin dollars.

We currently have a total of 4 employees, 2 of which are full time employees and 2 of which are part-time employees. We also use a consultant to head our sales and marketing effort.

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 1A RISK FACTORS.

Competition

The markets served by the Company are highly competitive. Competitive pricing pressure could result in loss of customers or decreased profit margins. Competition by product type includes the following:

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 hunting apparel line are:

- Russell Athletics
- Scentlock
- Various big-box private labels

Some of our biggest competitors in the Arctic Armor™ line are:

- Ice Clam Corporation
- Vexilar
- Mustang Survival

We compete in the following ways:

A. Emphasize the Advantages of our Products.

Floating Swimwear Products

We emphasize the following characteristics of our swimeez swimsuit product:

- inherent buoyancy of INSULTEX 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.

Hunting Line

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

- light 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. "INSULTEX", to the hunting industry that has fewer such technical insulations in use by that industry; and
- scent barrier.

Arctic Armor Line

We emphasize the following characteristics and advantages of our Arctic Armor line products:

- light weight
- waterproof
- windproof
- sub-zero protection
- buoyancy

The basis for our above product claims is derived from the Vartest Lab Results, a fiber/yarn, fabric and apparel testing firm.

INSULTEX provides a scent barrier which we had a permeation test performed on at the Texas Research Institute Austin, Inc. 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.

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

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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. We added Mr. Tom Nelson, "The American Archer", who is, and has been seen regularly on The Outdoor Channel.

E. Use television advertising to promote our products. In mid-October 2008, we began a nationwide television advertising campaign. The 60 second spots explain the benefits of our Artic Armor line along with a video showing the suits in a variety of outdoor activities.

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

- Lack of brand name recognition or recognition of the properties of INSULTEX and its advantages. We, as well as our products, have little brand name recognition compared to our competitors. And we may 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 INSULTEX 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.

Cyclicality

The Company's apparel sales fluctuate based on temperature and weather conditions. Our products are suitable primarily for cold weather conditions. This will cause a cyclical effect on sales. It also makes our revenues totally dependent on cold weather

Material Acquisition

All of the materials and items required to manufacture our products are purchased by our manufacturer in Indonesia with the exception of the Mossy Oak material and the Real Tree. We order the Mossy Oak material and it is delivered to our manufacturer.

The Company has only one supplier of INSULTEX, the special material which is manufactured within the apparel of our products. Additionally, we have one manufacturer that produces the apparel on behalf of the Company, located in Indonesia. Any delays in getting INSULTEX and/or our finished products adversely affect our revenue stream

Our Indonesia based manufacturer, PT Lidya and Natalia, has sole discretion in the sourcing and ordering of materials for their production runs, the costs of which we reimburse PT Lidya and Natalia.

Geographic Concentration

Many of the Company's sales to retailers are concentrated in colder climates of the United States and Canada. To the extent that any regional economic downturn impacts these regions, the Company will be adversely affected.

Management

The Company is dependent on the management of Joseph Riccelli, Sr., our Chief Executive Officer. The loss of Mr. Riccelli's services could have a negative impact on the performance and growth of the Company for some period of time.

Stock Price

The Company's stock is thinly traded. Should a major shareholder decide to liquidate its position, there could be a negative effect on the price of the stock until this condition is resolved.

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.

Sarbanes-Oxley

Unless the current requirement for compliance with Section 404 of the Sarbanes-Oxley is changed, the Company will experience higher internal and auditing costs to comply by the end of fiscal 2008.

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Significant Customer

Earned revenues for the fiscal year ending October 31, 2008 include revenues earned from one major customer. One major customer Cggveritas accounted for approximately 11% of our total revenue. Performance of this customer in its own market could have a negative impact on the Company's sales and results of operations.

ITEM 2. PROPERTIES.

Since May 2002, we have maintained our executive offices of 1500 square feet at 223 North Main Street, Suite 1, Pittsburgh, Pennsylvania 15215. We pay monthly rent of \$700.00 to Riccelli Properties, a property management firm owned by our Chief Executive Officer, Joseph Riccelli. 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.

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 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 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. Mr. Frank Riccelli is the brother to our Chief Executive Officer. The condition of our leased property is good.

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. We consider the condition of our leased property to be suitable for our needs.

ITEM 3. 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. We applied for a federal trademark for the name "Artic Armor" which was approved by the Patent and Trademark Office. The application has been opposed by a third party who objects to the word "Armor". We are attempting to resolve the matter.

On July 30, 2008, Elio D. Cattani and Eliotex srl filed a Motion to Strike Satisfaction of Judgment in the action filed at 04-00593 in the United States District Court for the Western District of Pennsylvania. The basis for the relief requested was Cattani's averment that Innovative Designs defrayed certain of the expenses in Greystone, Inc.'s litigation in the United States, and that assistance violated Pennsylvania public policy regarding champerty and maintenance.

Counsel for Innovative Designs, Inc. feels the Motion is spurious. At a hearing on the Motion conducted on December 3, 2008, unrefuted testimony disclosed that no quid pro quo agreement existed between IDI and Greystone at the time of IDI's financial assistance to Greystone, and thus a necessary element of champerty was not present. Final briefs are scheduled for submission on January 30, 2009 and the Court is expected to rule shortly thereafter.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

None

PART II

ITEM MARKET FOR REGISTRANT'S COMMON EQUITY; RELATED STOCKHOLDER MATTERS AND
5. ISSUER PURCHASES OF EQUITY SECURITIES.

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

	FY 2008	Low	High
Fourth Quarter		\$.30	\$.47
Third Quarter		\$.37	\$.50
Second Quarter		\$.26	\$.64
First Quarter		\$.39	\$.90
	FY 2007	Low	High
Fourth Quarter		\$.19	\$.65
Third Quarter		\$.22	\$.41
Second Quarter		\$.31	\$.47
First Quarter		\$.25	\$.53

On January 16 2009, the closing bid price was \$.35.

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

Holders.

As of January 16, 2009, we had 169 holders of record of our common stock. We have one class of stock outstanding. We have no shares of our preferred stock outstanding.

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.

Recent Sales of Unregistered Securities.

On November 1, 2007, we issued a total of 425,000 shares of our common stock to two consultants for business consulting services for \$.35 per share or \$148,750. One consultant received 225,000 shares and the other consultant received 200,000 shares. The Company's CEO and the service provider negotiated the value of the services to be performed on behalf of the Company. The negotiated value was divided by the approximate trading value of the Company's common stock on the date the transaction was entered into to calculate the number of shares issued to the service provider. The shares were issued without registration pursuant to the exemption provided by Section 4(2) of the Securities Act of 1933, as amended as an offering not involving a public offering.

On November 3, 2007, we issued 110,000 shares of our common stock to a noteholder in exchange for the note. The noteholder is a shareholder of the Company. The closing price of our common stock on that date was \$.35 per share making the value of the transaction \$38,500. The shares were issued without registration pursuant to the exemption provided by Section 4(2) of the Securities Act of 1933, as amended as an offering not involving a public offering.

On November 3, 2007, we issued a total of 6,000 shares of our common stock to a consultant for services relating to the use of our Arctic Armor line of products to the law enforcement community. The closing price of our common stock on that date was \$.40. Based on the closing price, the value of the common stock issued was \$2,400. The Company's CEO and the service provider negotiated the value of the services to be performed on behalf of the Company. The negotiated value was divided by the approximate trading value of the Company's common stock on the date the transaction was entered into to calculate the number of shares issued to the service provider. The shares were issued without registration pursuant to the exemption provided by Section 4(2) of the Securities Act of 1933, as amended as an offering not involving a public offering.

On November 3, 2007, we issued, in a private placement, a total of 47,150 shares of our common stock for cash for \$.40 a share to seven investors. Based on the closing price, the value of the common stock issued was \$18,860. The shares were issued without registration pursuant to the exemption provided by Section 506 of Regulation D promulgated under the Securities Act of 1933, as amended as an offering to "accredited investors" as that term is defined in Regulation D.

On December 20, 2007, we issued each of our director's, and a former director, except our CEO and Chairman of the Board 25,000 shares of our common stock for their services. We also issued 25,000 shares to our Vice-president Sales, 30,000 shares to one of our legal counsel for their services and 25,000 shares for marketing services. The closing price of our common stock was \$.40 per share. These shares were accrued in the prior year (October 31, 2007) financial statements as these services were performed during the fiscal year ended October 31, 2007. Based on the closing price, the value of the shares issued was \$72,000. The Company's CEO and the service provider negotiated the value of the services to be performed on behalf of the Company. The negotiated value was divided by the approximate trading value of the Company's common stock on the date the transaction was entered into to calculate the number of shares issued to the service provider. The shares were issued without registration pursuant to the exemption provided by Section 4(2) of the Securities Act of 1933, as amended as an offering not involving a public offering.

On December 2, 2007, we issued a total of 118,800 shares of our common stock to five investors in a private placement. Total proceeds were \$50,335. The shares were issued without registration pursuant to the exemption provided in Section 506 of regulation D, promulgated under the Securities Act of 1933, as amended as an offering to "accredited investors" as that term is defined in Regulation D.

On January 4, 2008, we issued 67,500 shares of our common stock for cash to three investors in a private placement. The proceeds were \$30,375. The shares were issued without registration pursuant to the exemption provided in Section 506 of Regulation D promulgated under the Securities Act of 1933, as amended as an offering to

“accredited investors” as that term is defined in Regulation D.

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On January 7, 2008, we issued 40,000 shares of our common stock in exchange for debt to a stockholder of the Company. The closing price of our common stock on that date was \$.35 per share. Based on the closing price, the value of the stock was \$14,000 which equaled the amount of debt due to the stockholder. The shares were issued without registration pursuant to the exemption provided by section 4(2) of the Securities Act of 1933, as amended as an offering not involving a public offering.

On February 29, 2008, we issued 110,000 shares of our common stock in exchange for debt and accrued interest for \$.35 per share to a stockholder of the Company. Based on the closing price, the value of the stock was \$38,500 which equaled the amount of debt and accrued interest due to the stockholder. The shares were issued without registration pursuant to the exemption provided by section 4(2) of the Securities Act of 1933, as amended as an offering not involving a public offering.

On February 29, 2008, we issued 11,100 shares of our common stock for cash for \$.45 per share or \$4,995 in a private placement to one investor. The shares were issued without registration pursuant to the exemption provided by section 4(2) of the Securities Act of 1933, as amended as an offering not involving a public offering.

On March 18, 2008, we issued 18,000 shares of our common stock to a consultant for design services for \$.40 per share or \$7,200. The Company's CEO and the service provider negotiated the value of the services to be performed on behalf of the Company. The negotiated value was divided by the approximate trading value of the Company's common stock on the date the transaction was entered into to calculate the number of shares issued to the service provider. The shares were issued without registration pursuant to the exemption provided by section 4(2) of the Securities Act of 1933, as amended as an offering not involving a public offering.

On May 23, 2008, we issued a total of 25,000 shares of our common stock to two consultants, one for 15,000 shares and the other for 10,000 shares, for consulting services relating to the use of our Arctic Armor products in the railroad industry for \$.40 per share or \$10,000. The Company's CEO and the service provider negotiated the value of the services to be performed on behalf of the Company. The negotiated value was divided by the approximate trading value of the Company's common stock on the date the transaction was entered into to calculate the number of shares issued to the service provider. The shares were issued without registration pursuant to the exemption provided by section 4(2) of the Securities Act of 1933, as amended as an offering not involving a public offering.

On June 30, 2008, we issued 10,000 shares of our common stock to a consultant for business consulting services relating to our Arctic Armor line of products for \$.40 per share or \$4,000. The Company's CEO and the service provider negotiated the value of the services to be performed on behalf of the Company. The negotiated value was divided by the approximate trading value of the Company's common stock on the date the transaction was entered into to calculate the number of shares issued to the service provider. The shares were issued without registration pursuant to the exemption provided by section 4(2) of the Securities Act of 1933, as amended as an offering not involving a public offering.

On June 30, 2008, we issued 62,500 shares of our common stock for cash for \$.40 per share or \$25,000 in a private placement to one investor who was a stockholder of the Company. The shares were issued without registration pursuant to the exemption provided by section 4(2) of the Securities Act of 1933, as amended as an offering not involving a public offering.

On July 8, 2008, we issued 125,000 shares of our common stock for cash for \$.40 per share or \$50,000 to one investor who was a stockholder of the Company. The shares were issued without registration pursuant to the exemption provided by section 4(2) of the Securities Act of 1933, as amended as an offering not involving a public offering.

On July 29, 2008, we issued 50,000 shares of our common stock for cash for \$.40 per share or \$20,000 to one investor who was a stockholder of the Company. The shares were issued without registration pursuant to the exemption provided by section 4(2) of the Securities Act of 1933, as amended as an offering not involving a public offering.

On September 8, 2008, we issued 20,000 shares of our common stock for cash for \$.40 per share or \$8,000 in a private placement to one investor. The shares were issued without registration pursuant to the exemption provided by Section 4(2) of the Securities Act of 1933, as amended as an offering not involving a public offering.

On September 8, 2008, we issued a total of 10,000 shares of our common stock for \$.40 per share or \$4,000 for marketing services to one consultant. The Company's CEO and the service provider negotiated the value of the services to be performed on behalf of the Company. The negotiated value was divided by the approximate trading value of the Company's common stock on the date the transaction was entered into to calculate the number of shares issued to the service provider. The shares were issued without registration pursuant to the exemption provided by Section 4(2) of the Securities Act of 1933, as amended as an offering not involving a public offering.

On September 18, 2008, we issued a total of 100,000 shares of our common stock for \$.40 per share or \$40,000 for business and financial consulting services to a consultant who is also a stockholder of the Company. The Company's CEO and the service provider negotiated the value of the services to be performed on behalf of the Company. The negotiated value was divided by the approximate trading value of the Company's common stock on the date the transaction was entered into to calculate the number of shares issued to the service provider. The shares were issued without registration pursuant to the exemption provided by Section 4(2) of the Securities Act of 1933, as amended as an offering not involving a public offering.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

General

The following information should be read in conjunction with the consolidated financial statements and the notes thereto appearing elsewhere in this report.

Disclosure Regarding Forward-Looking Statements

Certain statements made in this report, and other written or oral statements made by or on behalf of the Company, may constitute "forward-looking statements" within the meaning of the federal securities laws. When used in this report, the words "believes," "expects," "estimates," "intends," and similar expressions are intended to identify forward-looking statements. Statements regarding future events and developments and our future performance, as well as our expectations, beliefs, plans, intentions, estimates or projections relating to the future, are forward-looking statements within the meaning of these laws. Examples of such statements in this report include descriptions of our plans and strategies with respect to developing certain market opportunities, and our overall business plan. All forward-looking statements are subject to certain risks and uncertainties that could cause actual events to differ materially from those projected. We believe that these forward-looking statements are reasonable; however, you should not place undue reliance on such statements. These statements are based on current expectations and speak only as of the date of such statements. We undertake no obligations to publicly update or revise any forward-looking statement, whether as a result of future events, new information or otherwise.

Background

Innovative Designs, Inc. (hereafter referred to as the “Company”, “we” or “our”) was formed on June 25, 2002. We market and sell clothing products such as swim wear, hunting apparel, and cold weather gear called “Artic Armor” that are made from INSULTEX, a material with buoyancy, scent block and thermal resistant properties. We obtain INSULTEX through a license agreement with the owner and manufacturer of the material.

In November 2006, we were placed into involuntary Chapter 7 bankruptcy proceeding which was subsequently converted to a Chapter 11 proceeding. In October 2007, our case was dismissed.

Results of Operations

Comparison of the fiscal year ended October 31, 2008, with the fiscal year ended October 31, 2007.

The following table shows a comparison of the results of operations between the fiscal years ended October 31, 2008 and October 31, 2007:

	Fiscal Year Ended October 31, 2008	% of Sales	Fiscal Year Ended October 31, 2007	% of Sales	\$ Increase (Decrease)	% Change
REVENUE	\$ 543,137	100%	\$ 674,541	100%	\$ (131,404)	(19.5)%
OPERATING EXPENSES						
Cost of sales	477,645	87.9%	219,665	32.5%	257,980	117.4%
Non-stock compensation	216,351	39.8%	78,000	11.5%	138,351	177.4%
Selling, general and administrative expenses	401,389	73.9%	259,809	38.5%	141,580	54.5%
(Loss) income from operations	(552,248)	(101.7)%	117,067	17.4%	(669,315)	(571.1)%
OTHER INCOME (EXPENSE)						
Interest income (expense)	(66,533)	(12.3)%	(63,974)	(9.4)%	2,559	4.0%
Arbitration award	4,176,000	768.8%	-	-	4,176,000	100.0%
Net income	\$ 3,557,219	654.9%	\$ 53,093	7.9%	\$ 3,504,126	6,600.00%

Fiscal years ended October 31, 2007 and 2006

Revenues for the fiscal year ended October 31, 2008 were \$543,137 compared to \$674,541 for 2007. The decrease was due primarily to the lack of cold weather, the slow ramp-up of a sales agency that we had brought on board in the spring and the fact that a container of products for which we had orders for was late in arriving and did not come in until after the close of the fiscal year. Almost all of our sales for the fiscal year ended October 31, 2008 were for our Artic Armor product line. We have expanded our choices of types of color for our Artic Armor line which we believe will increase demand.

Selling, general and administrative expenses were \$401,389 for the fiscal year ended October 31, 2008 compared to \$259,809 for the fiscal year ended October 31, 2007. Part of the increase was on account of increased professional fees of \$45,315 which included professional fees of \$25,000 relating to our bankruptcy and settling the outstanding judgment. Professional fees for fiscal year 2007 were approximately \$51,000 compared to professional fees of approximately \$91,000 in fiscal year 2008. Our shipping cost also increased from \$29,194 in fiscal year 2007 to \$64,616 for fiscal year 2008. Office expenses increased by approximately \$43,000 in fiscal year 2008. We paid more in commissions, approximately \$13,000, in fiscal year 2008 than for fiscal year 2007, because we sold more of our products through sales agents rather than in house sales. Advertising cost increased by approximately \$8,000 for fiscal year 2008 as we instituted increased advertising programs.

Cost of sales were \$477,645 for the fiscal year ended October 31, 2008, compared with \$219,665 for the prior fiscal year. The increase in cost of sales was because our ending inventory cost was being accounted for at a higher cost than they should have been. This has since been corrected. Our first quarter cost of goods sold ratio to sales will be in line with our sales. We also sold some discontinued products at a price lower than their cost.

Liquidity and Capital Resources

During the fiscal year ended October 31, 2008, we funded our operations with revenues from sales, sales of our securities in private transactions and loans from our Chief Executive Officer. We will continue to fund operations from revenues and borrowings and the possible sale of securities. The \$4,167,000 of "Other Income" is attributable to the Italian Arbitration Award and is a reversal of a prior accrual and has no effect on our cash position.

Short Term: We funded our operations with revenues from sales and loans from our Chief Executive Officer. Our ability to obtain outside funding of either debt or equity has been adversely affected by our former status in bankruptcy. Further, the bankruptcy status has resulted in customers reducing their sales activity or ceasing to do business with us or all together. The loss of this revenue had an adverse impact on the Company's short term liquidity. The financial institution, Enterprise Bank, as a result of our bankruptcy proceeding, eliminated the amounts we can borrow on our lines of credit.

Our debt obligations consist of the following:

- US SBA Loan. The amount was \$280,100. This was a disaster loan assistance program. The date of the loan was July 12, 2005. The interest rate is 2.9% yearly. Payments are \$1,186 per month for thirty years. The loan is guaranteed by our CEO and he and his spouse have pledged certain assets as collateral for the loan. The loan was modified on January 23, 2006. The new loan amount is \$430,000. The monthly payments are \$1,820 and the loan matures in July 2035. As the loan was for a specific disaster assistance program we cannot obtain any additional funds.

- Redevelopment Authority of Allegheny County. The amount was \$13,923. This was a business relief program loan as a result of Hurricane Ivan. Monthly payments are \$290 and there is no interest on the loan. The loan matures in 47 months and is personally guaranteed by our CEO and a subordinated lien has been placed against all of the Company's business assets. As this loan was for a specific disaster assistance program we are not able to obtain additional funds from this source.
- Enterprise Bank. This is a revolving line of credit. The amount of the credit line is \$300,000 and the interest rate is prime plus 2.25%. As a result of our bankruptcy proceeding we can no longer access this credit facility. There was a one year maturity. Security for the line of credit is a lien on all of the Company's business assets and a subordinate lien on all available assets of our CEO as a guarantor of the advance.
- Citizens Bank. This is a vehicle installment sale contract. The amount financed was \$7,000. The interest rate is 8.50% and the monthly payments are \$193.27. There are a total of forty-two payments with the first payment on October 26, 2005.
- James Kearney. The amount of the loan is \$8,000 and interest is flat rate. Interest and principle are due and payable in full at any time after December 10, 2005.
- Dean Kolocouris. Mr. Kolocouris is a director of the Company. The amount of the loan is \$40,000. We have repaid \$20,000 plus interest of \$2,000. Interest is at 10% and the loan is now due on demand.
- Riccelli Properties. Riccelli Properties is owned by our CEO. The amount of the advances is \$108,000. The advances were made on an oral basis at various times between 2004 and 2006. The advances are non-interest bearing and there are no repayment terms.

The Company intends to repay these debt obligation with funds it generates from revenues, from the possible sale of its securities either debt or equity, from advances from its CEO or other stockholders or from commercial loan arrangements. Because we cannot currently access commercial lending facilities, should we not be able to continue to obtain funding from our CEO and/or other stockholders or sell our securities or should our revenues decrease our operations would be severely effected as we would not be able to fund our purchase orders to our suppliers for finished goods. The Company continues to pay its creditors when payments are due and has been successful in expanding its sales base into the oil and gas industry and the railroad industry and other areas where cold weather clothing is required.

Long Term: The Company will continue to fund operations from revenues, borrowings and the possible sale of its securities. Should we not be able to continue to rely on these sources our operations would be severely effected as we would not be able to fund our purchase orders to our suppliers for finished goods. The Company is currently pursuing financing to fund its long-term liquidity needs. We are attempting to obtain purchase order financing which would greatly assist our cash flow and allow us to expand our marketing efforts.

ITEM 8.

FINANCIAL STATEMENTS.

Our audited financial statements may be found beginning on page 27 elsewhere in this report.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS AND FINANCIAL DISCLOSURE.

None

ITEM 9A. (T)

CONTROLS AND PROCEDURES.

Disclosure Controls and Procedures

Management, including our principal executive/financial officer, evaluated the effectiveness of the design and operation of disclosure controls and procedures as of October 31, 2008 and, based on their evaluation, our principal executive/financial officers have concluded that these controls and procedures are ineffective. Throughout the reporting period, the Company's former Chief Financial Officer would calculate the Company's monthly cost of sales and month end inventory balances using the retail method of accounting. Under the retail method, which is a method widely used by merchandising firms to value or estimate ending inventory, a "cost-to-retail" factor (a percentage) is applied to sales to determine an estimate of the amount of inventory that was sold to produce the monthly sales. After the Company estimated the inventory sold, it would reduce its end of the month inventory balance by this amount. At the end of each quarter, the Company takes physical count of the product on hand and trues up the quarter end inventory balance. During the last quarter of 2008, the Company performed a physical count of the products on hand at October 31, 2008, however, it did not true up the value of the inventory on hand in its general ledger as a result of the physical count. At the time when the error was found, the Company maintained a separate inventory subsidiary ledger. The error was discovered when the Company's Chief Financial Officer was comparing the ending balance in its inventory subsidiary ledger to the ending inventory balance in the general ledger. The total cumulative amount for the fourth quarter was \$16,653.

With the discovery of this error, the Company ceased using the retail method of accounting to account for its monthly cost of sales and ending inventory balances, effective February 2009. The Company also purchased integrated inventory software that tracks purchases and sales of inventory using actual inventory values rather than a factor under the retail method of accounting. The Company began using this software effective February 1, 2009. With the purchase of the inventory software and no longer using the retail method of accounting, Management believes the change in its controls and procedures will mitigate errors from occurring in inventory with respect to inventory cost.

Effective March 19, 2008, our Chief Executive Officer temporarily assumed the duties of the Chief Financial Officer.

Management's Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal controls over financial reporting as defined in Rule 13-15(f) of the Securities Exchange Act. Our management determined that our internal control over financial reporting was effective as of October 31, 2008.

Our management has conducted an evaluation of the effectiveness of our internal control over financial reporting as of October 31, 2008, based on the framework and criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

This annual report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permit the Company to provide only management's report in this annual report.

There have been no significant changes in our internal control over financial reporting during the fiscal year ended October 31, 2008 and 2007, or subsequent to October 31, 2008, that has materially affected or is reasonably likely to materially affect, our internal control over financial reporting, except as discussed above.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Directors and Executive Officers

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

Our directors and executive officers are as follows:

Name	Age	Position	Term
Joseph Riccelli	58	Chief Executive Officer/Chief Financial Officer/Chairman and Principal Accounting Officer	1 year
Dean P. Kolocouris	36	Director	1 year
Robert D. Monsour	56	Director	1 year
Daniel P. Rains	54	Director	1 year

Joseph Riccelli has been our Chief Executive Officer and Chairman of the Board since our inception in June 2002. Mr. Riccelli was the owner of Pittsburgh Foreign and Domestic, a sole proprietor car dealership located in Glenshaw, Pennsylvania. Joseph Riccelli attended Point Park College located in Pittsburgh, Pennsylvania from 1971 to 1972.

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

Robert D. Monsour has been one of our Directors since our inception in June 2002. From November 1997 to 2005, Mr. Monsour was the Administrator of RGM Medical Management, a medical management firm headquartered in Pittsburgh, Pennsylvania. Thereafter he has acted as a consultant specializing in litigation support to various attorneys and law firms in Western Pennsylvania. Mr. Monsour received the following degrees from the University of Pittsburgh located in Pittsburgh, Pennsylvania: (a) Juris Doctor Degree in May 1983; (b) completed the course of study for a Masters Degree in International Affairs at the Graduate School of Public and International Affairs in May 1983, with the exception of a required Masters Thesis; and (c) Bachelor of Arts Degree in Political Science in May 1978.

Daniel P. Rains has been a director since March 2007. Mr. Rains is currently Vice President of business development at McCarl's, Inc., and a mechanical contracting firm. He has held this position for fifteen years. From 1981 through 1987, Mr. Rains was a professional football player for the Chicago Bears. He is a graduate of the University of Cincinnati.

Section 16(a) Beneficial Ownership Reporting Compliance

Audit Committee

We do not have a separate standing Audit Committee. Therefore, our entire Board of Directors acts as the Audit Committee. The Board of Directors has determined that Mr. Dean Kolocouris is its financial expert. Mr. Kolocouris is a loan officer for a bank and has a degree in Finance.

Nominating and Compensation Committees

We do not have either a nominating committee or a compensation committee. The basis for the Board of Directors to not have a nominating committee is the fact that our principal stockholder who is also our CEO and Chairman of the Board controls approximately sixty percent of the voting stock. And the Company has never held an Annual Meeting of stockholders. New board members are recommended to the Board by the Chairman of the Board.

Board of Directors Meetings

During the last full fiscal year there were three meetings of the Board of Directors.

Code of Ethics

We have not, as yet, adopted a code of ethics. We have only one full time executive officer/ chief financial officer who also acts as our principal accounting officer. To date, our operations have been so minimal and our staff so small that we have not considered a formal standard relating to the conduct of our personnel.

ITEM 11. EXECUTIVE COMPENSATION.

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

Summary Compensation Table

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$)	Option Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	Nonqualified Deferred Compensation Earnings (\$)	All Other Compensation (\$)	Total (\$)
Joseph Riccelli, Chief Executive Officer Chairman	2008	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -
Joseph Riccelli, Chief Executive	2007	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -