

INNOVATIVE DESIGNS INC  
Form 10-Q  
September 14, 2009

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

FORM 10-Q

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

For the quarterly period ended July 31, 2009

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE 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 No.)

223 North Main Street, Suite 1  
Pittsburgh, Pennsylvania 15215  
(Address of Principal Executive Offices, Zip Code)

(412) 799-0350  
(Issuer's Phone Number Including Area Code)

N/A  
(Former Name or Former Address, if changed since last report)

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 preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES  NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer", "accelerated filer" and "smaller reporting Company" in Rule 12b-2 of the Exchange Act.

(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

As of September 11, 2009, there were 18,698,743 shares of the Registrant's common stock, par value \$.0001 per share, outstanding.

Transitional Small Business Disclosure Format: YES  NO

---

Innovative Designs, Inc.

Index

Form 10-Q for the Quarter Ended July 31, 2009

	Page No.
<b>Part I — Financial Information</b>	
<b>Item 1. Condensed Financial Statements</b>	
Condensed Balance Sheets at July 31, 2009 (Unaudited) and October 31, 2008	1
Condensed Statements of Operations for the Three Months Ended July 31, 2009 and 2008, Nine Months Ended July 31, 2009 and 2008	2
Condensed Statement of Changes in Stockholders' Equity (Deficit) at July 31, 2009 (Unaudited) and October 31, 2008	3
Condensed Statements of Cash Flows for the Nine Months Ended July 31, 2009 and 2008	4
Notes to Condensed Financial Statements	5 - 8
<b>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</b>	<b>9 - 12</b>
<b>Item T. Controls and Procedures</b>	<b>12 - 13</b>
<b>Part II — Other Information</b>	
<b>Item 2. Unregistered Sale of Equity Securities and Use of Proceeds</b>	<b>14</b>
<b>Item 6. Exhibits</b>	<b>15</b>

---

## ITEM 1. CONDENSED FINANCIAL STATEMENTS

## INNOVATIVE DESIGNS, INC.

CONDENSED BALANCE SHEETS  
July 31, 2009 (Unaudited) and October 31, 2008

	2009	2008
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash	\$ 15,836	\$ 22,523
Accounts receivable	14,592	159,128
Inventory	813,166	732,295
Deposits on inventory	117,061	305,000
Total current assets	960,655	1,218,946
<b>LONG-TERM ASSETS</b>		
Property and equipment - net	7,083	10,675
Total long-term assets	7,083	10,675
<b>TOTAL ASSETS</b>	<b>\$ 967,738</b>	<b>\$ 1,229,621</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 43,643	\$ 88,889
Customer deposits	-	9,823
Current portion of notes payable	13,076	169,530
Accrued interest expense	92,000	118,000
Accounts payable - related party	28,220	28,220
Related party debt	65,000	128,000
Shareholders advances	295,164	328,500
Accrued expenses	728	17,485
Total current liabilities	537,831	888,447
<b>LONG-TERM LIABILITIES:</b>		
Long-term portion of notes payable	388,626	397,115
Total long term liabilities	388,626	397,115
<b>TOTAL LIABILITIES</b>	<b>926,457</b>	<b>1,285,562</b>
<b>STOCKHOLDERS' EQUITY (DEFICIT):</b>		
Preferred stock, \$.0001 par value, 100,000,000 shares authorized		
Common stock, \$.0001 par value, 500,000,000 shares authorized, 18,703,743 and 18,455,243 shares issued and outstanding	1,873	1,846
Additional paid in capital	5,638,018	5,565,045

Edgar Filing: INNOVATIVE DESIGNS INC - Form 10-Q

Accumulated deficit	(5,598,610)	(5,622,832)
Total stockholders' equity (deficit)	41,281	(55,941)
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)</b>	<b>\$ 967,738</b>	<b>\$ 1,229,621</b>

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

- 1 -

---

## ITEM 1. CONDENSED FINANCIAL STATEMENTS

## INNOVATIVE DESIGNS, INC.

## CONDENSED STATEMENTS OF OPERATIONS

Three Months Ended July 31, 2009 and 2008, Nine Months Ended July 31, 2009 and 2008  
(Unaudited)

	Three Months Ended July 31,		Nine Months Ended July 31,	
	2009	2008	2009	2008
REVENUE	\$ 26,616	\$ 85,141	\$ 675,446	\$ 353,457
<b>OPERATING EXPENSES:</b>				
Cost of sales	11,810	74,127	298,023	382,425
Non-stock compensation	(9,300)	14,000	44,000	23,600
Selling, general and administrative expenses	76,066	84,055	296,373	308,128
	78,576	172,182	638,396	714,153
(Loss)/income from operations	(51,960)	(87,041)	37,050	(360,696)
<b>OTHER (EXPENSE)/INCOME:</b>				
Interest expense	(4,456)	(566)	(12,828)	(34,572)
Reversal of arbitration award	-	4,176,000	-	4,176,000
Total other (expense)/income	(4,456)	4,175,434	(12,828)	4,141,428
Net (loss)/income before income taxes	(56,416)	4,175,434	24,222	3,780,732
Income taxes	-	-	-	-
NET (LOSS)/INCOME	\$ (56,416)	\$ 4,088,393	\$ 24,222	\$ 3,780,732
<b>Weighted Average</b>				
Shares Outstanding	18,646,743	18,034,743	19,321,799	18,052,743
Net income/(loss) per share	\$ (.003)	\$ 22.7	\$ .001	\$ 20.9

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

## ITEM 1. CONDENSED FINANCIAL STATEMENTS

## INNOVATIVE DESIGNS, INC.

CONDENSED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)  
July 31, 2009 (Unaudited) and October 31, 2008

	Common Stock Shares	Amount	Additional Paid in Capital	Accumulated Deficit	Total
Balance at October 31, 2007	17,096,193	\$ 1,711	\$ 5,049,064	\$ (9,180,051)	\$ (4,129,276)
Shares issued for cash	505,050	50	208,716	-	208,766
Shares issued for services	594,000	59	216,291	-	216,350
Shares issued for extinguishment of debt	260,000	26	90,974	-	91,000
Net income	-	-	-	3,557,219	3,557,219
Balance at October 31, 2008	18,455,243	1,846	5,565,045	(5,622,832)	(55,941)
Shares issued for services	185,500	21	54,779	-	54,800
Shares issued for cash	90,000	9	28,991	-	29,000
Return of shares for non-performance of services	(27,000)	(3)	(10,797)	-	(10,800)
Net income	-	-	-	24,222	24,222
Balance at July 31, 2009	18,703,743	\$ 1,873	\$ 5,638,018	\$ (5,598,610)	\$ 41,281

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

## ITEM 1. CONDENSED FINANCIAL STATEMENTS

## INNOVATIVE DESIGNS, INC.

CONDENSED STATEMENTS OF CASHFLOW  
For Nine Months Ended July 31, 2009 and 2008  
(Unaudited)

	For the Nine Months Ended	
	July 31,	July 31, 2008
	2009	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	\$ 24,222	\$ 3,780,732
Adjustments to reconcile net income to cash provided by (used in) operating activities:		
Common stock issued for services	54,800	23,600
Depreciation and amortization	3,592	1,879
Common stock returned for noncompliance of services	(10,800)	-
Accrued liability related to arbitration	-	(4,176,000)
Changes in operating assets and liabilities:		
Accounts receivable	144,536	133,550
Inventory	(80,871)	154,702
Deposits on inventory	187,939	(285,000)
Accounts payable	(45,246)	(915)
Accrued expenses	(16,757)	16,864
Customer deposits	(9,823)	58,750
Accrued interest on notes payable	(26,000)	6,410
Net cash provided by (used in) operating activities	225,592	(285,428)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Payments on note payable	(164,943)	(54,866)
Payment on note payable - related party	(63,000)	(32,800)
Proceeds from shareholder advances	-	78,000
Payment of shareholder advances	(33,336)	-
Common stock issued for cash	29,000	349,513
Net cash (used in) provided by financing activities	(232,279)	339,847
Net (decrease)/increase in cash	\$ (6,687)	\$ 54,419
Cash - beginning of year	\$ 22,523	\$ 6,555
Cash - end of period	\$ 15,836	\$ 60,974
<b>Supplemental cash flow information:</b>		
Cash paid for interest	\$ 12,832	\$ 566

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



INNOVATIVE DESIGNS, INC.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

July 31, 2009

1. BASIS OF PRESENTATION - INTERIM FINANCIAL STATEMENTS

The accompanying unaudited condensed financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial information and the general instructions to Form 10-Q. Accordingly, they do not include all information and footnotes required by GAAP for complete financial statements. These interim financial statements should be read in conjunction with our audited financial statements and notes thereto included in our Annual Report on Form 10-K for the fiscal year ended October 31, 2008. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Actual results could differ from those estimates. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been included. The results of operations for the periods presented are not necessarily indicative of the results that may be expected for the year ending October 31, 2009 or any future period.

2. ADOPTION OF SFAS NO. 123 (REVISED 2004) SHARE-BASED PAYMENT

In December 2004, FASB issued FASB No. 123 (Revised 2004) Share-Based Payment. This Statement establishes standards for the accounting and transactions in which an entity exchanges its equity instruments for goods or services. It also addresses transactions in which an entity incurs liabilities in exchange for goods or services that are based on the fair value of the entity's equity instruments or that may be settled by the issuance of those equity instruments. This Statement focuses primarily on accounting for transactions in which an entity obtains employee services in share-based payment transactions. This Statement does not change the accounting guidance for share-based payment transactions with parties other than employees provided in Statement 123 as originally issued and EITF Issue No. 96-18, "Accounting for Equity Instruments That Are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods or Services." This Statement does not address the accounting for employee share ownership plans, which are subject to AICPA Statement of Position 93-6, Employers' Accounting for Employee Stock Ownership Plans. The adoption of SFAS 123 (Revised 2004) by the Company did not have a material impact on the Company's financial position, results of operations or cash flows. There was no change in the status of outstanding shares or in the Equity Compensation Plan since October 31, 2008, and no shares were granted to employees of the Company for services rendered or to be rendered.

3. EARNINGS PER SHARE

Innovative Designs, Inc. (the "Company") calculates net income (loss) per share as required by Statement of Financial Accounting Standard No. 128, Earnings per Share. Basic earnings (loss) per share is calculated by dividing income (loss) by the weighted average number of common shares outstanding for the period. Diluted earnings (loss) per share is calculated by dividing net income (loss) by the weighted average number of common shares and dilutive common stock equivalents outstanding. There were no fully diluted shares as of July 31, 2009 and 2008.

INNOVATIVE DESIGNS, INC.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

July 31, 2009

4. GOING CONCERN AND LEGAL PROCEEDINGS

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

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

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

We are subject to dispute and litigation both in and out of 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. With respect to the former, we applied for a federal trademark for the name "Arctic 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.

With respect to the latter, on July 30, 2008, Elio D. Cattan 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 Cattan'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.

On February 5, 2009, The Honorable Arthur J. Schwab entered an Order on the Motion of Elio Cattan and Eliotex, SRL (collectively, "Cattan") to strike the assignment and satisfaction of judgment filed at Docket No. 04-00593 by Elite Properties, LLC. Counsel for Innovative Designs, Inc. sought to preclude the District Court from rendering any determination on the merits as to the ownership of the Judgment or the propriety of the State Court execution proceedings by which ownership of the Judgment was transferred.

The District Court did not adopt or substantiate the legal argument brought forward by Counsel for Cattan, and did not render any findings on the merits that would disturb Elite Properties, LLC's ownership of the IDI Judgment at the time it was satisfied.

On March 31, 2009, Eliotex, srl ("Eliotex") and Elio Cattan ("Cattan") filed a Motion to Strike Assignment and Satisfaction of Judgment in the Court of Common Pleas of Allegheny County, Pennsylvania at Case No. GD-06-011327. The Motion requests that the Court invalidate State Court execution proceedings on the default judgment entered against Eliotex and Cattan by Greystone, Inc. ("Greystone") by which Greystone purchased at Sheriff Sale the default judgment against IDI entered in favor of Eliotex and Cattan in Italian arbitration proceedings and confirmed by the District Court. The Motion further requests that the Court strike the purchase of an assignment of that judgment from Greystone, and its subsequent satisfaction, by Elite Properties, LLC. IDI consented to the issuance of a Rule to Show Cause why the relief should not be granted.



INNOVATIVE DESIGNS, INC.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

July 31, 2009

On June 10, 2009, Eliotex and Cattan filed a Verification to their Motion. IDI filed its Answer to Rule to Show Cause on June 23, 2009. Eliotex and Cattan conducted no discovery within the 60 day time period provided for by the Order issuing the Rule, and no oral argument on the Rule has been requested. The Motion is dormant and likely to remain so for the foreseeable future.

Counsel for IDI is confident that the outcome of the Motion, if adjudicated, will favor IDI. The Motion cites arcane theories of champerty and maintenance that the District Court expressly refused to adopt, and must be adjudicated by the Honorable R. Stanton Wettick, Jr., who in 2007 upheld the propriety of the execution proceedings at the time of a prior challenge by Eliotex and Cattan.

5. COMMON STOCK

On December 11, 2008, we issued a total of 20,000 shares of our common stock for cash for \$.40 per share or \$8,000. The shares were issued without registration pursuant to the exemption provided by Section 4(2) of the Securities Act of 1933, as amended.

On December 30, 2008, we issued a total of 70,000 shares of our common stock for cash for \$.30 per share or \$21,000. The shares were issued without registration pursuant to the exemption provided by Section 4(2) of the Securities Act of 1933, as amended.

On December 30, 2008, we issued a total of 1,500 shares of our common stock for professional services for \$.30 per share or \$450. The shares were issued without registration pursuant to the exemption provided by Section 4(2) of the Securities Act of 1933, as amended.

On February 5, 2009, we issued a total of 100,000 shares of our common stock for professional services for \$.25 per share or \$25,000. The shares were issued without registration pursuant to the exemption provided by Section 4(2) of the Securities Act of 1933, as amended.

On February 5, 2009, we issued a total of 25,000 shares of our common stock for professional services for \$.25 per share or \$6,250. The shares were issued without registration pursuant to the exemption provided by Section 4(2) of the Securities Act of 1933, as amended.

On March 6, 2009, we issued a total of 54,000 shares of our common stock for professional services for \$.40 per share or \$21,600. The shares were issued without registration pursuant to the exemption provided by Section 4(2) of the Securities Act of 1933, as amended. Subsequently on June 2, 2009, the Company cancelled 27,000 shares of this stock for non-performance of services. The shares were valued at \$.40 per share or an aggregate of \$10,800.

On May 26, 2009, we issued 5,000 shares of our common stock for professional services for \$.30 per share or \$1,500. The shares were issued without registration pursuant to the exemption provided by Section 4(2) of the Securities Act of 1933, as amended.

- 8 -

---

INNOVATIVE DESIGNS, INC.

July 31, 2009

ITEM 2. 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 and in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the fiscal year ended October 31, 2008.

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. (hereinafter referred to as the "Company", "we or "our") was formed on June 25, 2002. We market and sell clothing products such as 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. Since our formation we have devoted our efforts to:

- Completing the development, design and prototypes of our products,
- Obtaining retail stores or sales agents to offer and sell our products, and
- Developing our website to sell more of our products.

## INNOVATIVE DESIGNS, INC.

July 31, 2009

## Results of Operations

Comparison of the Three Months Ended July 31, 2009 with the Three Months Ended July 31, 2008.

## Revenues

The following table shows a comparison of the results of operations between the three months ended July 31, 2009 and three months ended July 31, 2008:

	Three Months Ended July 31, 2009	% of Sales	Three Months Ended July 31, 2008	% of Sales	\$ Increase (Decrease)	% Change
REVENUE	\$ 26,616	100%	\$ 85,141	100%	\$ (58,525)	(68.7)%
<b>OPERATING EXPENSES</b>						
Cost of sales	11,810	44.4%	74,127	87.1%	(62,317)	(84.1)%
Non-stock compensation	(9,300)	(34.9)%	14,000	16.4%	(23,300)	(166.4)%
Selling, general and administrative expenses	76,066	285.8%	84,055	98.7%	(7,989)	(9.5)%
	78,576	295.2%	172,182	202.2%	(93,606)	(54.4)%
Loss from operations	(51,960)	195.2%	(87,041)	(102.2)%	35,081	40.3%
<b>OTHER INCOME (EXPENSE)</b>						
Interest expense	(4,456)	(16.7)%	(566)	(.67)%	(3,890)	(687.3)%
Reversal of arbitration award	-	-	4,176,000	4,904.8%	(4,176,000)	(100)%
Total other income (expense)	(4,456)	(16.7)%	4,175,434	4,904.1%	(4,179,890)	(100.1)%
Net (loss)/income	\$ (56,416)	(212.0)%	\$ 4,088,393	4,801.9%	\$ (4,144,809)	(101.4)%

## Three Months Ended July 31, 2009 and 2008

Revenues for the three months ended July 31, 2009, were \$26,616 compared to \$85,141 for the three months ended July 31, 2008. The decrease was largely on account of the fact that during the last few days of July 2008, two orders totaling approximately \$56,000 were shipped. Over 90% of the products sold were our Artic Armor line of products. Because this line is our main source for sales, there is a very seasonal nature to our sales cycle. We do anticipate a much greater demand for our products for the next three months. We believe that as a result of a cooler summer this year orders will be received earlier than in prior years. In the first part of September we have already

seen this to occur. As discussed below, we do have written orders for delivery later in the year and as the cold season approaches we expect orders to increase. Included in the net income (loss) for the three months ended July 31, 2008, is the reversal of the arbitration award in the amount of \$4,176,000.

- 10 -

---

## INNOVATIVE DESIGNS, INC.

July 31, 2009

During the period we did reach a verbal understanding with a large distributor and we expect orders to be received later in the month of September or early October. Our Early Order Booking program produced orders that began shipping September 1, 2009, and will continue until February 1, 2010. We did not start counting EOB orders until this year, but we believe the program has produced significantly more orders than in the first year of the program. Our building wrap product is still in the last stages of testing.

The following table shows a comparison of the results of operations between the nine months ended July 31, 2009 and nine months ended July 31, 2008.

	Nine Months Ended July 31, 2009	% of Sales	Nine Months Ended July 31, 2008	% of Sales	\$ Increase (Decrease)	% Change
REVENUE	\$ 675,446	100%	\$ 353,457	100%	\$ 321,989	91.1%
<b>OPERATING EXPENSES</b>						
Cost of sales	298,023	44.1%	382,425	108.2%	(84,402)	(22.1)%
Non-stock compensation	44,000	6.5%	23,600	6.7%	20,400	86.4%
Selling, general and administrative expenses	296,373	43.9%	308,128	87.2%	(11,755)	(3.8)%
	638,396	94.5%	714,153	202.0%	(75,757)	(10.6)%
Income/(loss) from operations	37,050	5.5%	(360,696)	(102.0)%	397,746	110.3%
<b>OTHER INCOME (EXPENSE)</b>						
Interest (expense) income	(12,828)	(1.9)%	(34,572)	(9.8)%	21,744	(62.9)%
Reversal of arbitration award	-	-	4,176,000	1,181.5%	4,176,000	100%
Total other income (expense)	(12,828)	(1.9)%	4,141,428	(1,171.7)%	(4,128,400)	(99.7)%
Net income/(loss)	\$ 24,222	3.6%	\$ 3,780,732	1,069.6%	\$ (3,756,510)	(99.4)%

Nine months ended July 31, 2009 and 2008.

Revenues for the nine months ended July 31, 2009, were \$675,446 compared to revenues of \$353,457 for the nine months ended July 31, 2008. The increase is a result, we believe, of the advertising program conducted over the last cold season. We also added a new color to the Artic Armor line. Included in the net income for the nine months ended July 31, 2008, is the reversal of the arbitration award in the amount of \$4,176,000.

INNOVATIVE DESIGNS, INC.

July 31, 2009

As of September 10, 2009, we had orders for approximately \$150,000. However, we have shipped more orders since July 31, 2009, than we did in the corresponding period in 2008. These orders have delivery dates for October, November and December of this year. The orders do not require any monetary deposit and can be cancelled, without penalty, by the customer at any time.

Liquidity and Capital Resources

During the quarter ended July 31, 2009, we funded our operations with revenues from sales. We will continue to fund operations from revenues and borrowings and the possible sale of securities. Our ability to obtain outside funding of either debt or equity is being adversely affected in part, by the general inability to obtain commercial lending.

Short Term: We funded our operations with revenues from sales. The financial institution has restricted the amounts we can borrow on our lines of credit and they will not increase our borrowing capacity on the lines of credit. 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 to the railroad industry as well as to other sectors of the market.

Long Term: The Company will continue to fund operations from revenues, borrowings and the possible sale of its securities. The Company is currently pursuing financing to fund its long-term liquidity needs, however, the general state of the credit industry has made borrowing more difficult.

ITEM T. CONTROLS AND PROCEDURES

Management has developed and implemented a policy and procedures for reviewing, on a quarterly basis, our disclosure controls and procedures and our internal control over financial reporting. Management, including our principal executive and financial officer, evaluated the effectiveness of the design and operation of disclosure controls and procedures as of July 31, 2009 and, based on their evaluation, our principal executive and financial officers have concluded that these controls and procedures are not operating effectively. Effective March 19, 2008, our Chief Executive Officer temporarily assumed the duties of our Chief Financial Officer. As of the date of filing this Form 10-Q, the Chief Executive Officer continues these duties. During the fourth quarter of 2008, a number of adjusting journal entries were recorded in order to adjust the ending inventory balance to the correct balance. The nature of these entries related primarily to inventory valuation with regards to the correct balance. Consequently, during the first quarter of 2009, a number of adjustments were recorded in order to correct the Company's books and records. The adjustments included the following: adjustments were made to ending cash balances which were not properly reconciled; inventory was adjusted for items which were received during this quarter but not entered into the inventory system by the Company and not reflected in the ending inventory balance; notes payables were corrected for payments made by the Company to lenders; and adjustments were made in order to adjust cost of sales to the correct balances. During the second quarter of 2009, the Company hired an outside Certified Public Accountant to analyze and prepare the books and records. As such, only immaterial reclassifications were made during the second quarter of 2009. No reclassifications were made during the third quarter of 2009. The Chief Executive Officer is currently in the process of evaluating the Company's controls and procedures surrounding the evaluation of inventory and properly stating cost of sales.

INNOVATIVE DESIGNS, INC.

July 31, 2009

There were no significant changes in our internal control over financial reporting during our last fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

- 13 -

---

INNOVATIVE DESIGNS, INC.

July 31, 2009

PART II

ITEM 2. UNREGISTERED SALE OF EQUITY SECURITIES AND USE OF PROCEEDS

On December 11, 2008, we issued a total of 20,000 shares of our common stock for cash for \$.40 per share or \$8,000. The shares were issued without registration pursuant to the exemption provided by Section 4(2) of the Securities Act of 1933, as amended.

On December 30, 2008, we issued a total of 70,000 shares of our common stock for cash for \$.30 per share or \$21,000. The shares were issued without registration pursuant to the exemption provided by Section 4(2) of the Securities Act of 1933, as amended.

On December 30, 2008, we issued a total of 1,500 shares of our common stock for professional services for \$.30 per share or \$450. The shares were issued without registration pursuant to the exemption provided by Section 4(2) of the Securities Act of 1933, as amended.

On February 5, 2009, we issued a total of 100,000 shares of our common stock for professional services for \$.25 per share or \$25,000. The shares were issued without registration pursuant to the exemption provided by Section 4(2) of the Securities Act of 1933, as amended.

On February 5, 2009, we issued a total of 25,000 shares of our common stock for professional services for \$.25 per share or \$6,250. The shares were issued without registration pursuant to the exemption provided by Section 4(2) of the Securities Act of 1933, as amended.

On March 6, 2009, we issued a total of 54,000 shares of our common stock for professional services for \$.40 per share or \$21,600. The shares were issued without registration pursuant to the exemption provided by Section 4(2) of the Securities Act of 1933, as amended. Subsequently on June 2, 2009, the Company cancelled 27,000 shares of this stock for non-performance of services. The shares were valued at \$.40 per share or an aggregate of \$10,800.

On May 26, 2009, we issued 5,000 shares of our common stock for professional services for \$.30 per share or \$1,500. The shares were issued without registration pursuant to the exemption provided by Section 4(2) of the Securities Act of 1933, as amended.

We funded our operations with revenues from sales and the sale of our securities. We sold approximately \$29,000 worth of our common stock in private transactions during the nine month period ended July 31, 2009.

INNOVATIVE DESIGNS, INC.

July 31, 2009

ITEM 6. EXHIBITS

- \*3.1 Certificate of Incorporation
- \*3.2 By Laws
- 31.1 Rule 13a - 14a Certification of Chief Executive Office and Chief Financial Officer
- 32.1 Section 1350 Certification of Chief Executive Officer and Chief Financial officer
- \* Incorporated by reference to the Company's registration statement on Form SB-2, filed March 11, 2003

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Innovative Designs, Inc.  
Registrant

Date: September 11, 2009

/s/ Joseph Riccelli  
Joseph Riccelli, Chief Executive Officer  
and Chief Financial Officer