

INNOVATIVE DESIGNS INC
Form 10-K
January 29, 2018

U.S. SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

Annual report under section 13 or 15(d) of the Securities Act of 1934.
For the fiscal year ended October 31, 2017

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	03-0465528
(State or other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification Number)

124 Cherry Street	
Pittsburgh, Pennsylvania	15223
(Address of Principal Executive Offices)	(Zip Code)

(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:

(Title of Class)

Common Stock, \$.0001 par value per share

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

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 \$367,955.

The aggregate market value of the voting stock and non-voting stock held by non-affiliates of the issuer based on the closing price of \$0.75 on January 25, 2018, as reported by the OTCQB, was \$13,889,874.

The number of shares of the issuer's common stock outstanding, as of January 25, 2018, was 26,793,310.

Transitional Small Business Disclosure Format: Yes No

ITEM 1. DESCRIPTION OF BUSINESS.

The Company was incorporated in the State of Delaware on June 25, 2002. We operate in two separate business segments; cold weather clothing and a house wrap for the building construction industry. Both of our segment lines use products made from INSULTEX, which is a low density foamed polyethylene with buoyancy, scent block, and thermal resistant properties. We have a license agreement directly with the owner of the INSULTEX Technology. In December 2015, we took delivery of equipment capable of producing INSULTEX. We intend to use the equipment to produce our own INSULTEX for use in our house wrap product as well as sale of INSULTEX to others. We will continue to operate under the license agreement for the manufacture of INSULTEX used in our cold weather clothing.

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. This product was discontinued during 2010 and we are only selling from our existing inventory.

Hunting Apparel Line: Our hunting apparel provides almost total block from odors provided by the INSULTEX material. This product was discontinued during 2010 and we are only selling from our existing inventory.

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.

INSULTEX House Wrap: Our house wrap product is designed for the building construction industry. This product, made from INSULTEX, provides barrier protection plus moisture vapor transmission and approximately R-3 and R-6 value insulation. We also sell a tape that is designed to be used with the INSULTEX House Wrap. In December 2016, we temporarily suspended any advertising of our House Wrap product line.

INSULTEX Material: We sell INSULTEX material in bulk to non-competing customers.

We also offer a product that helps restore the waterproof character of the outer side of our Arctic Armor clothing. In addition, we offer cold weather headgear and a base insulation clothing product.

Our apparel products containing INSULTEX 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 and (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. Our INSULTEX House Wrap product is manufactured in the United States through a third-party manufacturer.

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For financial information regarding each segment, please see Note 9 of the Notes to Financial Statements appearing elsewhere in this Report.

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%) for 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 100,000 yards of INSULTEX. We are not required to pay any part of any sublicense fee that we receive from third party sub-licensees, 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 Company has exercised the first ten-year renewal option. We purchased the equipment capable of producing INSULTEX from the Ketut Group.

COLD WEATHER CLOTHING PRODUCTS

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
Ski resort workers; and
Police and First Responders.

Website and Retailers

We sell both wholesale and retail products on our web site. Our web site, 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 web site features a “wholesaler only” area, allowing our wholesalers access to information, ordering, and reordering. Our products are offered and sold by retailers, distributors and through our web site in all states and Canada. Except for products sold through our web site, others who purchase our products do so 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 primary 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.

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 Canadian Tire and Dick's Sporting Goods. Some of our distributors during the last fiscal year were Triple S Pro Fishing Supplies and Fleece Corner. We distribute our products to the following:

Swimeez Products

We distribute our Swimeez products through our web site.

Hunting Apparel Line

We distribute our hunting apparel through our web site.

Our hunting apparel consists of a six pocket pants, 1/2 zip pullover jacket with collar, parka jacket, fleece jacket, bib coveralls in light weight, and bib coveralls in arctic weight.

Arctic Armor Line

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

During our last fiscal year, four customers accounted for more than ten percent of our cold weather clothing products sales, Fleece Corner (18.2%), Canadian Tire (12.0%), Pro Fishing Supplies (25.0%) and Dick's Sporting Goods (17.2%).

HOUSE WRAP

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 provides barrier protection plus moisture vapor transmission and the feature of approximately R-3 and R-6 value insulation. The INSULTEX House Wrap was designed to specifically add enhanced insulating characteristics. In addition, the house wrap is priced competitively with existing house wraps that do not provide any insulation. The development efforts were conducted by our own personnel and an outside consultant. In December 2016, we temporarily suspended any advertising for our House Wrap product line as we are currently in litigation with the Federal Trade Commission ("FTC"). Please see "Legal Proceedings" appearing elsewhere in this report.

INSULTEX House Wrap

During our last fiscal year two customers accounted for more than ten percent of our total sales of our House Wrap product, A-Team Building Supplies, LLC (42.3%) and Well Done Insulation (15.1%).

Competition

Many companies offer a type of house wrap some with insulating properties. These companies have large operations and are well financed. Some of the larger companies are DuPont, Owens-Corning and Kimberly Clark. The Company expects to face intense competition with others who have much greater resources in the building construction supply industry.

Our marketing program consists of the following:

MARKETING COMPONENT

Website 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 and Canada.

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. During the last fiscal year, we did not attend any 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.

INSULTEX is used in all our Arctic Armor finished goods, except for our headwear, and is purchased directly from the Ketut Group.

All of our cold weather clothing products, except for our gloves, which are purchased from a supplier in the U.S., 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 U.S. Customs Service imposes an importation duty of 6.5% on all our imported products.

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, including our House Wrap, are manufactured on a per order basis.

The fulfillment process involved in completing wholesale orders for non-stocked Arctic Armor products and House Wrap product 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. Our House Wrap inventory is stored in the facility that manufactures it. We use a commercially available breathable water repellent film used in the manufacturing process that we store at the seller's facility.

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.

We receive finished goods, and facilitate turn-around for shipment to retailers. Goods are received in our warehouse/distribution center located in Pittsburgh, Pennsylvania where they are packaged in Master Packs, hang tags attached, and UPC/UCC codes labels applied to items for retailer distribution.

Any apparel inventory we maintain is stored at our warehousing facility. Our warehouse facility has the capacity to hold 250,000 units of finished products in inventory. Our House Wrap inventory is stored in the facility that manufactures it.

In 2004, we were granted a trademark for our name “idigear” with the United States Patent and Trademark Office.

In 2007, we were granted the mark “INSULTEX” by the United States Patent and Trademark Office.

In 2011, we were granted a trademark for “INSULTEX HOUSE WRAP” by the United States Patent and Trademark Office.

In December 2009, we filed a patent application, No. 12 642714, with the United States Patent and Trademark Office for our Composite House Wrap. The application is still pending. In order to obtain the broadest possible patent protection for this invention Innovative Designs, Inc. has appealed a portion of the decision of the Patent Trial and Appeal Board (PTAB) entered in Appeal 2015-006289 to the Court of Appeals for the Federal Circuit (CAFC) under 35 U.S.C. §141. The portion of the decision of the Patent Trial and Appeal Board (PTAB) entered in Appeal 2015-006289 reversing the examiner’s rejection has not been appealed. Innovative Designs, Inc. expects a favorable action allowing for the broadest possible patent protection to be obtained.

We had filed a provisional application in December 2008. The patent is currently held by our Chief Executive Officer and a consultant to the Company.

In February of 2010, our Chief Executive Officer filed a patent application for a composite fabric material and apparel made therefrom. The patent has been allowed. The patent has been assigned to the Company.

In May 2016, our Chief Executive Officer and a consultant to the Compliant filed a patent application relating to INSULTEX entitled “Process for Forming Closed Cell Expanded Low Density Polyethylene Foam and Products Formed Thereby”.

Our production costs are limited to the invoices we receive from our sub-manufacturer, PT Lidya and Natalia, on a per production basis and for our gloves from our supplier in the U.S and for our House Wrap product from the manufacturer.

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:

United States Customs Service

We are required to pay a 6.5% importation duty to the United States Customs Service on all imported products. 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 effect 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 effect 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 5 employees, 3 of which are full time employees and 2 of which are part-time employees.

We have no collective bargaining or employment agreements.

Reports and Other Information to Shareholders

We are subject to the informational requirements of the Securities Exchange Act of 1934. Accordingly, we file annual, quarterly and other reports and information with the Securities and Exchange Commission. You may read and copy these reports and other information we file at the Securities and Exchange Commission's public reference rooms in Washington, D.C., New York, New York, and Chicago, Illinois. Our filings are also available to the public from

commercial document retrieval services and the Internet world wide website maintained by the Securities and Exchange Commission at www.sec.gov.

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ITEM 1A RISK FACTORS.

Pending Litigation

We are a defendant in a complaint brought by the FTC. While we believe we have a defense to the allegation asserted by the FTC, should there be an adverse ruling we may be forced to disgorge all revenues derived from the sale of our House Wrap product line, and we would not be able to sell the product. The result of this action would have a materially adverse effect on the Company's revenues and operations. See "Legal Proceeding" appearing elsewhere in this report.

Lack of Sufficient Operating Funds

Because we are not able to generate sufficient funds from sales and because we are unable to access commercial sources of credit, we are consistently underfunded. As a result, our growth is very limited, and we have difficulty in sustaining our current level of operations. We are not able to initiate adequate marketing programs, hire additional staff, develop new products or have flexibility in ordering products from our manufacturers. In addition, the action by the FTC has adversely affected our ability to sell our House Wrap product line. In the past, we have depended on borrowings from our CEO and other private parties, primarily shareholders and the private sale of our common stock. Should we not be able to continue to rely on these sources of funding to at least meet our current level of operations our revenue stream will be adversely affected.

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 Arctic Armor™ line are:

Ice Clam Corporation
Vexilar
Mustang Survival
Frabill

Stryker

We compete in the following ways:

A. Emphasize the Advantages of our Products.

Arctic Armor Line

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

light weight

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waterproof
windproof
sub-zero protection
buoyancy

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 stimulant 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.

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

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.

Cyclicalities

The Company’s Arctic Armor 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 cold weather clothing products are purchased by our manufacturer in Indonesia.

The Company currently has only one supplier of INSULTEX, the special material which is manufactured within the apparel of our cold weather products and our House Wrap product. 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 will adversely affect our revenue stream. Once we have our own equipment operating we will be able to produce INSULTEX. We intend to use such INSULTEX for our House Wrap product.

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

Most of the Company's sales for its cold weather clothing products 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, our Chief Executive Officer. The loss of Mr. Riccelli's services could have a negative effect 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, exclusive of one's residence, 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.

ITEM 2. PROPERTIES.

In October 2002, we arranged for the lease of warehouse space for our inventory and raw materials at 124 Cherry Street, Etna, Pennsylvania. We also use this space as our principal executive offices. 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 \$3,500 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. Mr. Frank Riccelli is the brother to our Chief Executive Officer and the owner of the property. 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.

On November 4, 2016, the FTC filed a complaint against the Company in the U.S. District Court Western District of Pennsylvania, number 16-1669. In the complaint, the FTC alleges that, among other matters, the Company does not have substantiation of claims made by the Company regarding the R value and energy efficiency of its INSULTEX House Wrap products. The complaint asks as to redress a rescission of revenue the Company received from the sale of House Wrap and a permanent injunction. The parties are currently in the expert discovery phase.

The Company strongly denies the allegation and intends to vigorously defend itself. It is the Company's belief that the complaint is based on improper testing of the INSULTEX products using the wrong type of testing equipment.

ITEM 4. REMOVED AND RESERVED.

PART II

ITEM 5. MARKET FOR REGISTRANT’S COMMON EQUITY; RELATED STOCKHOLDER MATTERS AND 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 2017	Low	High
Fourth Quarter	\$0.27	0.78
Third Quarter	\$0.26	0.44
Second Quarter	\$0.19	0.41
First Quarter	\$0.29	0.50

FY 2016	Low	High
Fourth Quarter	\$0.50	0.74
Third Quarter	\$0.51	0.80
Second Quarter	\$0.60	0.94
First Quarter	\$0.73	1.01

On January 25, 2018, the closing bid price was \$0.75.

The source of the above data is www.otcm Markets.com.

Holders

As of January 25, 2018, we had 195 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.

During the quarter ended January 31, 2017, there was no stock sold or issued.

During the quarter ended April 30, 2017, the Company issued 30,000 shares of common stock to one director for services performed during February 2017 valued at \$7,500. The stock was issued at a price of \$0.25 per share.

During the quarter ended July 31, 2017, the Company issued 130,000 shares of common stock to two shareholders for services performed in April and May 2017 valued at \$40,200 in total. The stock was issued at a price of \$0.30 and \$0.34 per share.

Additionally, for the quarter ended July 31, 2017, the Company sold 217,000 shares of common stock to three previous stockholders for total proceeds of \$40,590. The stock was issued at a price ranging from \$0.18-\$0.22 per share. We believe that Section 4(2) of the Securities Act of 1933, as amended, was available because these transactions and the transaction cited above did not involve a public offering and there was no general solicitation or general advertising involved in these transactions. We placed legends on the stock certificates stating that the securities were not registered under the Securities Act and set forth the restrictions on their transferability and sale.

During the quarter ended October 31, 2017, the Company issued 140,000 shares of common stock to one shareholder and one individual for services performed in September and October 2017 valued at \$50,000 in total. The stock was issued at a price of \$0.25 and \$0.40 per share. We believe that Section 4(2) of the Securities Act of 1933, as amended, was available because these transactions did not involve a public offering and there was no general solicitation or general advertising involved in this transaction. We placed legends on the stock certificates stating that the securities were not registered under the Securities Act and set for the restrictions on the transferability and sale.

Additionally, for the quarter ended October 31, 2017, the Company sold 505,000 shares of common stock for total proceeds of \$131,950. The stock was issued at a price ranging from \$0.25 - \$0.40 per share to three new investors and three stockholders. We believe that Section 4(2) of the Securities Act of 1933, as amended, was available because these transactions did not involve a public offering and there was no general solicitation or general advertising involved in these transactions. We placed legends on the stock certificates stating that the securities were not registered under the Securities Act and set forth the restrictions on their transferability and sale.

Subsequent to October 31, 2017, the Company sold 351,000 shares of stock for \$111,560 to three individuals.

Additionally, subsequent to October 31, 2017, the Company issued 50,000 shares to one individual for services valued at \$20,000. We believe that Section 4(2) at the Securities Act of 1933, as amended, was available because these transactions and the transaction noted above did not involve a public offering and there was no general solicitation of general advertising involved in these transactions. We placed legends on the stock certificates stating that the securities were not registered under the Securities Act and set forth the restrictions on the transferability and sale.

ITEM 6. SELECTED FINANCIAL DATA.

As a smaller reporting company, under SEC regulations, we are not required to furnish selected financial data.

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 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 cold weather clothing products called “Arctic Armor” that are, except for our headwear, made from INSULTEX, a material with buoyancy, scent block and thermal resistant properties. We offer our House Wrap product line which is also made from INSULTEX. We obtain INSULTEX for our cold weather clothing products through a license agreement with the owner and manufacturer of the material. In December 2015, we took delivery of equipment capable of producing our own INSULTEX. We intend to use the INSULTEX from this equipment in the production of our House Wrap product and for the sale of INSULTEX to others.

Results of Operations

Comparison of the fiscal year ended October 31, 2017, with the fiscal year ended October 31, 2016.

The following table shows a comparison of the results of operations between the fiscal years ended October 31, 2017 and October 31, 2016:

	Fiscal Year Ended October 31, 2017	% of Sales	Fiscal Year Ended October 31, 2016	% of Sales	Increase (Decrease)	% Change
REVENUE	\$ 367,955	100.00 %	\$ 602,062	100.00 %	\$(234,107)	-38.88 %
OPERATING EXPENSES						
Cost of sales	216,250	58.77 %	303,544	50.42 %	(87,294)	-28.76 %
Selling, general and administrative expenses	755,836	205.42 %	865,310	143.72 %	(109,474)	-12.65 %
Loss from operations	(604,131)	-164.19 %	(566,792)	-94.14 %	(37,339)	6.59 %
OTHER INCOME/(EXPENSE)						
Other income (expense)	(4,846)	-1.32 %	(2,497)	-0.41 %	(2,349)	0.00 %
Interest expense	(24,078)	-6.54 %	(63,134)	-10.49 %	39,056	-61.86 %
Net loss	\$(633,055)	-66.20 %	\$(632,423)	-105.04 %	\$(632)	17.86 %
Common shares outstanding	26,392,310		25,370,310			

Loss per common share	\$(0.024)	\$(0.025)
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Results of Operations

Revenues for the fiscal year ended October 31, 2017, were \$367,955 compared to revenues of \$602,062 for the comparable period ending October 31, 2016. House Wrap product revenue totaled \$370,794 last year compared to \$184,294 for Fiscal Year ended October 31, 2017. Nearly all of the remaining revenues were derived from our Arctic Armor product line which totaled \$183,661 for Fiscal Year ended October 31, 2017 compared to revenues of \$231,268 for the Fiscal Year ended October 31, 2016. The decrease in revenue is attributable to the FTC matter with regard to our House Wrap products as we no longer advertise the insulating quality of these products. The decrease in revenue for our apparel product line is attributable to the fact that we are devoting significant portion of our limited resources to the FTC matter. Revenues are net of returns and discounts. We estimate that approximately sixty percent of our cold weather apparel products are sold to outdoor sportsmen, primarily those engaged in ice fishing.

Selling, general and administrative expense decreased from \$865,310 in fiscal year 2016, to \$755,836 in fiscal year ending October 31, 2017. This decrease reflects, in part, a decreased cost of seasonal help of \$29,162, commissions of \$14,642, and professional fees of \$47,266. The professional fees which totaled \$317,456 are primarily related to the FTC matter.

Our cost of sales decreased from \$303,544 as of October 31, 2016 to \$216,250 as of October 31, 2017.

Liquidity and Capital Resources

During the fiscal year ended October 31, 2017, we funded our operations from revenues and private sales of our common stock. We will continue to fund our operations from these sources until we are able to produce sales sufficient to cover our cost structure or to secure commercial lending arrangements.

On July 12, 2015 the Company reached an agreement with Ketut Jaya to purchase machinery and equipment utilized to produce the INSULTEX material. The purchase price is \$700,000 and to be made in four installments. The first installment of \$300,000 is to be made at the execution of the agreement. The second installment of \$200,000 is to be made when the machinery and equipment is ready to be shipped to the United States. The third installment of \$100,000 is to be made once the machinery and equipment is producing INSULTEX, and the fourth and final installment of \$100,000 is to be made after the first commercial production run of INSULTEX is completed. As of October 31, 2016, the Company has made payments of \$600,000. In addition to the final payments, the Company will have to have the equipment and machines installed and ensure that the machine can be operated in compliance with environmental regulations. The Company has not made an estimate of the costs required for bringing the machine into compliance, but it is considered to be substantial.

Short Term: We funded our operations with revenues from sales, private sales of our common stock and from loans from our Chief Executive Officer and others. We could not access commercial lines of credit during our last fiscal year.

Our existing 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 \$430,500. 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. As of October 31, 2017, \$137,358 in principal plus accrued interest was still outstanding.

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Note Payable \$8,000 - Roberta Riccelli. Interest is at 10% for 120 days. The principal and interest was due on June 17, 2012, but was extended through a verbal agreement with no set maturity date. As of October 31, 2017, \$5,000 in principal plus accrued interest was still outstanding.

Note Payable \$20,000 - Corinthian Development. Interest is at 10%. The principal and interest of \$22,000 was due May 15, 2013, but was extended through a verbal agreement with no set maturity date. As of October 31, 2017, \$10,000 in principal plus accrued interest was still outstanding.

Note Payable \$27,500 - Sol & Tina Waxman Family Foundation. Interest is at 10%. The principal and interest is due on demand on January 5, 2018. As of October 31, 2017, \$27,500 in principal plus accrued interest was still outstanding.

Note Payable \$90,000 - Joseph Riccelli, Interest is at 10% for 180 days. The principal and interest is due on demand on November 22, 2013, but was extended through a verbal agreement with no set maturity date. As of October 31, 2017, \$40,000 in principal plus accrued interest was still outstanding.

Note Payable \$40,672 – Riccelli Properties. Interest is 10% per six months. The principal and interest is due on February 7, 2018. As of October 31, 2017, \$36,000 in principal plus accrued interest was still outstanding.

The Company intends to repay these debt obligations 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. Because we cannot currently access commercial lending facilities, should we not be able to continue to obtain funding from our CEO and/or other individuals 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.

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.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK.

As a smaller reporting company under SEC Regulation, we are not required to provide this information.

ITEM 8. FINANCIAL STATEMENTS.

Our audited financial statements may be found beginning on Page 30 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 of Innovative Designs, Inc. is responsible for maintaining disclosure controls and procedures that are designed to ensure that information required to be disclosed in the reports that the Company files or submits under the Securities Exchange Act of 1934 (the "Exchange Act") is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms. In addition, the disclosure controls and procedures must ensure that such information is accumulated and communicated to the Company's management, including its Chief Executive Officer/Chief Financial Officer, as appropriate, to allow timely decisions regarding required financial and other required disclosures.

At the end of the period covered by this report, an evaluation of the effectiveness of our disclosure controls and procedures (as defined in Rules 13(a)-15(e) and 15(d)-15(e) of the Securities Exchange Act of 1934 (the "Exchange Act")) was carried out under the supervision and with the participation of our Chief Executive Officer/Chief Financial Officer. Based on his evaluation of our disclosure controls and procedures, he concluded that during the period covered by this report, such disclosure controls and procedures were not effective. This was due to our limited resources, including the absence of a financial staff with accounting and financial expertise and deficiencies in the design or operation of our internal control over financial reporting that adversely affected our disclosure controls and that may be considered to be "material weaknesses."

At this time, we do not have the financial resources to employ a financial staff with accounting and financial expertise, once we have the necessary financial resources, we plan to hire and designate an individual responsible for identifying reportable developments and to implement procedures designed to remediate the material weakness by focusing additional attention and resources in our internal accounting functions. However, the material weakness will not be considered remediated until the applicable remedial controls operate for a sufficient period of time and management has concluded, through testing, that these controls are operating effectively.

Our Chief Executive Officer is also our Chief Financial Officer.

Management's Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over our financial reporting. Internal control over financial reporting is a process designed to provide reasonable assurance to our management and board of directors regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles.

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Our internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect our transactions; (ii) provide reasonable assurance that transactions are recorded as necessary for preparation of our financial statements; (iii) provide reasonable assurance that receipts and expenditures of company assets are made in accordance with management authorization; and (iv) provide reasonable assurance that unauthorized acquisition, use or disposition of company assets that could have a material effect on our financial statements would be prevented or detected on a timely basis.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because changes in conditions may occur or the degree of compliance with the policies or procedures may deteriorate.

Our management assessed the effectiveness of our internal control over financial reporting as of October 31, 2017. This evaluation was based on criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission, or COSO, Internal Control-Integrated Framework. Based upon such assessment, our Chief Executive Officer/Chief Financial Officer concluded that our internal controls over financial reporting were not effective as of October 31, 2017. In particular, our controls over financial reporting were not effective in the specific areas described in the paragraphs below.

As of October 31, 2017, our Chief Executive Officer/Chief Financial Officer identified the following specific material weaknesses in the Company's internal controls over its financial reporting processes:

Policies and Procedures for the Financial Close and Reporting Process – Currently there are no policies or procedures that clearly define the roles in the financial close and reporting process. The various roles and responsibilities related to this process should be defined, documented, updated and communicated. Not having such policies and procedures in place amounts to a material weakness in the Company's internal controls over its financial reporting processes.

Representative with Financial Expertise – For the year ended October 31, 2017, the Company did not have an employee with the requisite knowledge and expertise to review the financial statements and disclosures at a sufficient level to monitor the financial statements and disclosures to the Company. All of our financial reporting is carried out by one individual and the use of an external accounting firm. This lack of accounting staff results in a lack of segregation of duties, timeliness in closing the books and records, delays in filing quarterly and annual financial information, numerous post-closing adjusting journal entries, and accounting technical expertise necessary for an effective system of internal control. Failure to have a representative with such knowledge and expertise amounts to a material weakness to the Company's internal controls over its financial reporting processes.

There have been no significant changes in our internal control over financial reporting during the fiscal year ended October 31, 2017 and 2016, or subsequent to October 31, 2017, 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	68	Chief Executive Officer, Chief Financial Officer, Principal Accounting Officer, Chairman	1 year
Dean P. Kolocouris	47	Director	1 year
Robert D. Monsour	67	Director	1 year
Daniel P. Rains	65	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. He 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 December, Mr. Kolocouris was a Loan Officer and Assistant Vice President at Eastern Savings Bank located in Pittsburgh, Pennsylvania. Since that time, he has been in private lending. In June 1993, Mr. Kolocouris received a Bachelor's Degree in Finance from Duquesne University located in Pittsburgh, Pennsylvania. Mr. Kolocouris has been in banking for over fifteen years and his knowledge of finance and business experience is helpful to the Company.

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 Master's Degree in International Affairs at the Graduate School of Public and International Affairs in May 1983, with the exception of a required Master's Thesis; and (c) Bachelor of Arts Degree in Political Science in May 1978. Mr. Monsour's business experience and his knowledge of the law make him qualified to serve as a director of the Company.

Daniel P. Rains has been a director since March 2007. Mr. Rains is currently Vice President of business development at McCarl's, Inc., a mechanical contracting firm. He has held this position for over 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. Mr. Rains has been in professional sports and in business for over twenty years. His experience and knowledge of these fields are helpful to the Company. As the Company enters the building construction market with its House Wrap product, Mr. Rains' experience in that industry will be especially helpful.

Section 16(a) Beneficial Ownership Reporting Compliance

During February 2017, we issued 30,000 shares of our Common Stock to one Director, Mr. Robert Monsour. This was a reportable event within two days under the federal securities laws by filing a Form 4 with the SEC. Mr. Monsour filed his Form 4 on March 28, 2017. In July 2017, Mr. Joseph Riccelli, our CEO, transferred 300,000 shares of his common stock. Mr. Riccelli filed his Form 4 in December 2017.

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 thirty-four 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 no 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.

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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 CEO, Chairman	2017	\$49,876	0	0	0	0	0	0	\$49,876
Joseph Riccelli CEO, Chairman	2016	\$49,876	0	0	0	0	0	0	\$49,876

During 2017, we paid our Chief Executive Officer \$49,876 in compensation.

There are no employment agreements between us and our executive officer Joseph Riccelli. There are no change of control arrangements, either by means of a compensatory plan, agreement, or otherwise, involving our current or former executive officers. There are no automobile lease agreements or key man life insurance policies that are to the benefit of our executive officers, in which we would make such payments. There are no standard or other arrangements in which our directors are compensated for any services as a director, including any additional amounts payable for committee participation or special assignments. There are no other arrangements in which any of our directors were compensated during our last fiscal year for any service provided as a director.

Other than Mr. Riccelli, who is our CEO, the Board of Directors considers the remaining Directors Messrs. Monsour, Kolocouris and Rains to be independent directors.

Director Compensation

Name	Fees Paid or Paid in Cash (\$)	Stock Awards (\$)	Option Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	Nonqualified Deferred Compensation Earnings (\$)	All Other Compensation (\$)	Total (\$)
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Dean P. Kolocouris	0	0	0	0	0	0	0
Robert D. Monsour	0	7,500	0	0	0	0	7,500
Daniel P. Rains	0	0	0	0	0	0	0
Joseph Riccelli	0	0	0	0	0	0	0

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Securities Authorized for Issuance under Equity Compensation Plans.

Equity Compensation Plan Information

Plan Category	Number of securities to be issued upon exercise of outstanding options, warranties and rights	Weighted-average exercise price of outstanding options, warranties and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding those reflected in column (a))
	(a)	(b)	(c)
Equity compensation plans approved by security holders	\$ 0	\$ 0.90	(1) 400,000

Weighted average price was based on market value of the shares on or about the date the service was performed.

(1) Market value of the price per share ranged from \$1.90 to \$0.76 per share over the period of time in which the various services were performed.

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

Use of Proceeds from Registered Securities

Not Applicable

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT, AND RELATED STOCKHOLDER MATTERS.

The following table sets forth the ownership as of January 25, 2018 (a) by each person known by us to be the beneficial owner of more than five percent (5%) of our outstanding common stock, and/or (b) by each of our directors, by all executive officers and our directors and executive officers as a group.

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

Security Ownership of Management

Title of Class	Name and Address	Amount	Nature	Percent
Common Stock	Joseph Riccelli Chief Executive Officer	7,455,000	Direct	28.25%
	Chairman of the Board of Directors c/o Innovative Designs, Inc. 124 Cherry St. Pittsburgh, Pa 15223	(1) 601,478	Indirect	2.28%
Common Stock	Robert D. Monsour Director c/o Innovative Designs, Inc. 124 Cherry St. Pittsburgh, Pa 15223	40,000	Direct	*
Common Stock	Dean P. Kolocouris Director c/o Innovative Designs, Inc. 124 Cherry St. Pittsburgh, Pa 15223	67,000	Direct	*
Common Stock	Daniel P. Rains c/o Innovative Designs, Inc. 124 Cherry St. Pittsburgh, Pa 15223	110,000	Direct	*
All Directors and Executive Officers as a Group		8,273,478		31.35%

*Represents less than one percent.

Represents 421,478 shares of common stock held in the Gino A. Riccelli Trust and 180,000 shares of common (1) stock held in the Joseph A. Riccelli Trust. Both Trusts are for the sons of our Chief Financial Officer. Mr. Joseph Riccelli is the trustee of both trusts.

By virtue of his stock ownership or control over our stock, Mr. Riccelli may be deemed to “control” the Company.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

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

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In February 2017, we issued 30,000 shares of our common stock to Mr. Robert Monsour. The shares were issued for services. The shares were valued at \$0.25 per share for a total of \$7,500.

During May and October 2017, we issued 230,000 shares, of our common stock to two shareholders, Mr. Randolph Lowe and Ms. Blynn Schiedler. The shares were issued for services. The shares issued were valued at \$0.30, \$0.34, and \$0.40 per share for a total of \$80,200.

Our officers and directors have the following conflicts of interests:

We lease our warehouse space from the brother of our Chief Executive Officer. We pay \$3,500 per month for a total of \$42,000 per year.

Independence of Board Members

The Company has adopted the NASDAQ Listing Rules; Rule 5605 and 5605 (a) (2), for determining the independence of its directors. Directors are deemed independent only if the Board affirmatively determines that the director has no material relationship with the Company directly or as an officer, share owner or partner of an entity that has a relationship with the Company or any other relationship which, in the opinion of the Board, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director.

ITEM 14.

PRINCIPAL ACCOUNTANT FEES AND SERVICES.

Audit Fees

The aggregate fees billed for the fiscal years ended October 31, 2017 and 2016 for professional services rendered by the principal accountant for the audit of our annual financial statements and review of the financial statements included in our Form 10-K or services that are normally provided by the accountant in connection with statutory and regulatory filings or engagements for these fiscal periods were as follows: (a) during fiscal year ended October 31, 2017 and 2016, our current auditors, Louis Plung & Company billed the Company \$18,000 for professional services, respectively.

Audit Related Fees

None.

Tax Fees

None.

All Other Fees

None.

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ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

Exhibit Number	Description
3.1	<u>Revised Certificate of Incorporation****</u>
3.2	<u>Bylaws*</u>
4	<u>Specimen Stock Certificate*</u>
10.1	<u>Exclusive License and Manufacturing Agreement by and between Ko-Myung Kim, Ketut Jaya and Innovative Designs, Inc. [Confidential Treatment Requested]** Authorization dated April 1, 2008 by and between</u>
10.2	<u>Jordan Outdoor Enterprises, Ltd and Innovative Designs, Inc.*** License Agreement effective May 30, 2005 by and between</u>
10.3	<u>Haas outdoors, Inc. and Innovative Designs, Inc.*** Loan Authorization Agreement, dated July 12, 2005</u>
10.4	<u>between the U. S. Small Business Administration and Innovative Designs, Inc.***</u>
10.6	<u>Motor Vehicle Installment Sale Contract dated</u>

	<u>September 26,</u> <u>2005.***</u> <u>Machinery</u>
<u>10.7</u>	<u>Purchase</u> <u>Agreement.*****</u> <u>Certification</u>
<u>31.1</u>	<u>Pursuant to Section</u> <u>302 of the</u> <u>Sarbanes-Oxley</u> <u>Act of 2002.</u> <u>Certification</u>
<u>31.2</u>	<u>Pursuant to Section</u> <u>302 of the</u> <u>Sarbanes-Oxley</u> <u>Act of 2002.</u> <u>Certification</u> <u>Pursuant To 18</u> <u>U.S.C. Section</u>
<u>32.1</u>	<u>1350, As Adopted</u> <u>Pursuant To</u> <u>Section 906 of the</u> <u>Sarbanes-Oxley</u> <u>Act of 2002.</u> <u>Certification</u> <u>Pursuant To 18</u> <u>U.S.C. Section</u>
<u>32.2</u>	<u>1350, As Adopted</u> <u>Pursuant To</u> <u>Section 906 of the</u> <u>Sarbanes-Oxley</u> <u>Act of 2002.</u>
<u>99</u>	<u>Test Results from</u> <u>Vartest Lab.*</u>
100	Test Results from Texas Research Institute Austin, Inc.*
101	Interactive data files pursuant to Rule 405 of Regulation S-T: (i) the Statement of Operations for the years ended October 31, 2011 and 2010, (ii) the Balance Sheets at October 31, 2011 and 2010, (iii) the Statements of Cash Flows for the years

ended October 31,
2011 and 2010 and
(iv) the notes to the
Financial
Statements.

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

**Previously filed as exhibit to Form 10-KSB filed on February 8, 2008

***Previously filed as exhibits to Form 10-K/A filed November 23, 2009

****Previously filed as exhibit to Form 10-K filed February 12, 2015.

*****Previously filed as exhibit to Form 10-K filed January 28, 2016.

SIGNATURES

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

INNOVATIVE
DESIGNS, INC.
(Registrant)

Date: January 25, 2018 by: /s/ Joseph Riccelli
Joseph Riccelli
Chief Executive
Officer

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

Date: January 25, 2018 by: /s/ Joseph Riccelli
Joseph Riccelli
Chief Executive
Officer,
Chief Financial
Officer, Principal
Accounting
Officer, and
Chairman
of the Board of
Directors

Date: January 25, 2018 by: /s/ Dean P. Kolocouris
Dean P. Kolocouris
Director

Date: January 25, 2018 by: *
Robert D.
Monsour
Director

Date: January 25, 2018 by: /s/ Daniel Rains

Daniel Rains
Director

INNOVATIVE DESIGNS, INC.

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

October 31, 2017 and 2016

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors

Innovative Designs, Inc.

Pittsburgh, Pennsylvania

We have audited the accompanying balance sheets of Innovative Designs, Inc. (a Delaware corporation) as of October 31, 2017 and 2016, and the related statements of operations, stockholders' equity, and cash flows for each of the fiscal years then ended, and the related notes to the financial statements. Innovative Designs, Inc.'s management is responsible for these financial statements. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Innovative Designs, Inc. as of October 31, 2017 and 2016, and the results of its operations, and its cash flows for the fiscal years then ended, in accordance with accounting principles generally accepted in the United States of America.

/s/ Louis Plung & Company

Pittsburgh, Pennsylvania

January 25, 2018

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INNOVATIVE DESIGNS, INC.BALANCE SHEETS
October 31, 2017 and 2016ASSETS

	2017	2016
CURRENT ASSETS		
Cash and cash equivalents	\$214,871	\$502,777
Accounts receivable	23,805	72,143
Inventory - net of inventory reserve of \$51,000 as of October 31, 2017 and \$40,000 as of October 31, 2016, respectively	729,845	936,587
Inventory on consignment	1,625	1,625
Deposits on inventory	70,000	—
Prepaid expenses	14,653	17,485
Total current assets	1,054,799	1,530,617
PROPERTY AND EQUIPMENT - NET	160,862	176,925
OTHER ASSETS		
Advance to employee	4,000	4,000
Deposit on equipment	617,000	617,000
TOTAL OTHER ASSETS	621,000	621,000
TOTAL ASSETS	\$1,836,661	\$2,328,542

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES		
Accounts payable	\$129,278	\$116,512
Current portion of notes payable	18,096	15,467
Accrued interest expense	44,184	49,885
Due to stockholders	118,500	119,000
Accrued expenses	25,102	93,333
Total current liabilities	335,160	394,197
LONG TERM LIABILITIES		
Long-term portion of notes payable	119,262	188,891
TOTAL LIABILITIES	454,422	583,088
STOCKHOLDERS' EQUITY		
Common stock, \$0.0001 par value, 100,000,000 shares authorized as of October 31, 2017 and 2016, and 26,392,310 and 25,370,310 issued and outstanding as of October 31, 2017	2,639	2,537

and 2016, respectively

Additional paid-in capital	9,725,412	9,455,674
Accumulated deficit	(8,345,812)	(7,712,757)
Total stockholders' equity	1,382,239	1,745,454
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$1,836,661	\$2,328,542

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

INNOVATIVE DESIGNS, INC.

STATEMENTS OF OPERATIONS

For the Fiscal Years Ended October 31, 2017 and 2016

	2017	2016
REVENUES - NET OF RETURNS AND ALLOWANCES	\$367,955	\$602,062
OPERATING EXPENSES		
Cost of sales	216,250	303,544
Selling, general and administrative expenses	755,836	865,310
LOSS FROM OPERATIONS	(604,131)	(566,792)
OTHER EXPENSE		
Other expense	(4,846)	(2,497)
Interest expense	(24,078)	(63,134)
TOTAL OTHER EXPENSE	(28,924)	(65,631)
NET LOSS	\$(633,055)	\$(632,423)
PER SHARE INFORMATION		
Basic		
Net Loss Per Common Share	\$(0.025)	\$(0.025)
Weighted Average Number of Common Shares Outstanding	25,582,984	25,125,302

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

INNOVATIVE DESIGNS, INC.

STATEMENTS OF STOCKHOLDERS' EQUITY

For the Fiscal Years Ended October 31, 2017 and 2016

	Common Stock Number of Shares	Common Stock Amount	Additional Paid-in Capital	Accumulated Deficit	Total
Balance at October 31, 2015	24,371,310	\$ 2,437	\$8,902,744	\$(7,080,334)	\$1,824,847
Shares issued for services	120,000	12	67,188	—	67,200
Shares issued for fixed assets	30,000	3	23,997	—	24,000
Sale of stock	849,000	85	461,745	—	461,830
Net loss	—	—	—	(632,423)	(632,423)
Balance at October 31, 2016	25,370,310	2,537	9,455,674	(7,712,757)	1,745,454
Shares issued for services	300,000	30	97,670	—	97,700
Sale of stock	722,000	72	172,068	—	172,140
Net loss	—	—	—	(633,055)	(633,055)
Balance at October 31, 2017	26,392,310	\$ 2,639	\$9,725,412	\$(8,345,812)	\$1,382,239

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

INNOVATIVE DESIGNS, INC.

STATEMENTS OF CASH FLOWS

For the Fiscal Years Ended October 31, 2017 and 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$(633,055)	\$(632,423)
Adjustments to reconcile net loss to net cash used in operating activities:		
Common stock issued for services	97,700	67,200
Depreciation	30,963	21,024
Provision for inventory reserves	11,000	—
Changes in assets and liabilities:		
Decrease in accounts receivable	48,338	13,684
(Increase) decrease in inventory	195,742	(12,533)
Increase in inventory on consignment	—	(1,625)
(Increase) decrease on deposits on inventory	(70,000)	78,320
(Increase) decrease in prepaid insurance	2,832	(9,866)
Increase in advance to employee	—	(4,000)
Increase (decrease) in accounts payable	12,766	(2,848)
Decrease in accrued interest expense	(5,701)	(28,366)
Increase (decrease) in accrued expenses	(68,231)	800
Net cash used in operating activities	(377,646)	(510,633)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(14,900)	(122,749)
Deposits on equipment	—	(197,000)
Net cash used in investing activities	(14,900)	(319,749)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from sale of stock	172,140	461,830
Payments on stockholder advances	(43,672)	(235,130)
Proceeds from stockholders advances	43,172	—
Payments on notes payable	(67,000)	(45,445)
Net cash provided by financing activities	104,640	181,255
Net decrease in cash and cash equivalents	(287,906)	(649,127)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	502,777	1,151,904
CASH AND CASH EQUIVALENTS, END OF THE YEAR	\$214,871	\$502,777

Supplemental disclosure of cash flow information:

Cash paid for interest	\$29,779	\$91,500
Stock issuance for fixed asset additions	\$—	\$24,000

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

INNOVATIVE DESIGNS, INC.

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations - Innovative Designs, Inc. (the “Company”), which was incorporated in the State of Delaware on June 25, 2002, markets cold weather recreational and industrial clothing products, as well as house wrap, which are made from INSULTEX, a low density foamed polyethylene, a material with buoyancy, scent block, and thermal resistant properties. Our clothing and housewrap is offered and sold by retailers, distributors, and companies throughout the United States and Canada.

We operate two reportable segments: Apparel and House Wrap. Our apparel segment offers a wide variety of extreme cold weather apparel and related items. Our House Wrap segment offers our INSULTEX House Wrap which has an R-value of 3 and an R-value of 6 and our own seam tape.

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

Fiscal Year End - The Company’s fiscal year ends on October 31. The fiscal years ending October 31, 2017 and 2016 are referred to as 2017 and 2016, respectively, throughout the Company’s financial statements.

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

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

Revenue Recognition - The Company recognizes revenue when persuasive evidence of an arrangement exists, delivery has occurred, the sales price is fixed or determinable and collectability is probable. Revenue is derived from

sales of the Company's recreational products, such as Arctic Armor, and our house wrap line of products. Sales of these items are recognized when the items are shipped. The Company offers a 5-day return policy and no warranty on all of its products. All sales outside the United States are entered into using the U.S. dollar as its functional currency. During 2017 and 2016, the Company took back certain products from customers that accounted for \$5,165 and \$9,531, respectively in revenue. The Company was not required to accept these returns but made a business decision to do so.

Fair Value of Financial Instruments - The carrying value of cash and cash equivalents, accounts receivable, accounts payable, and certain other liabilities approximate their estimated fair values due to the short-term nature of these instruments. The fair value of the Company's debt instruments approximates their fair values as the interest is tied to or approximates market rates.

INNOVATIVE DESIGNS, INC.

NOTES TO FINANCIAL STATEMENTS

Estimated Uncollectable Accounts - The Company considers all accounts receivable balances to be fully collectable at October 31, 2017 and 2016, accordingly, no allowance for doubtful accounts is provided.

Inventory - Inventory consists primarily of finished goods. In 2016, the Company adopted Accounting Standard Update (ASU) 2015-11, "Inventory-Simplifying the Measurement of Inventory," which changed how inventory is valued. Inventory is stated at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation.

During the fiscal year ended October 31, 2010, the Company discontinued its hunting and swimming lines of apparel. A reserve balance of approximately \$51,000 and \$40,000 was recorded as of October 31, 2017 and 2016, respectively. The reserve is evaluated on a quarterly basis and adjusted accordingly.

Deposits on Inventory - The Company only has one manufacturer that produces the apparel on behalf of the Company, located in Indonesia. The Company will send deposits to the manufacturer for future production of the apparel based on approved purchase orders between the Company and the manufacturer. Once finished purchase orders are received by the Company, the deposits associated with those purchase orders are transferred into inventory. As of October 31, 2017, the Company had \$70,000 on deposit for the INSULTEX.

Property and Equipment - Property and equipment are stated at cost. Expenditures for maintenance and repairs are charged to income as incurred. Additions, improvements and major replacements are capitalized. The cost and accumulated depreciation related to assets sold or retired are removed from the accounts and any gain or loss is credited or charged to income.

For financial reporting purposes, depreciation is primarily provided on the straight-line method over the estimated useful lives of depreciable assets, which range from 5 to 7 years.

Deposits on Equipment - On July 12, 2015 the Company reached an agreement with Ketut Jaya to purchase the machinery and equipment utilized to produce the INSULTEX material. The purchase price is \$700,000 and to be made in four installments. The first installment of \$300,000 is to be made at the execution of the agreement. The

second installment of \$200,000 is to be made when the machinery and equipment is ready to be shipped to the United States. The third installment of \$100,000 is to be made once the machinery and equipment is producing INSULTEX, and the fourth and final installment of \$100,000 is to be made after the first commercial production run of INSULTEX is completed. As of October 31, 2017, the Company has made payments of \$500,000 in accordance with the agreement, and made a \$100,000 pre-payment as the machine is not yet producing INSULTEX. Additionally, the Company has incurred \$17,000 of additional expenses related to shipping.

Impairment of Long-lived Assets - Management of the Company considers the valuation and depreciation of property and equipment. Management considers both the current and future levels of undiscounted cash flow generated by the Company and the continuing value of property and equipment to determine when and if an impairment has occurred. Any write-downs due to impairment are charged to operations at the time the impairment is identified. No such write-downs due to impairment have been recorded in 2017 and 2016.

INNOVATIVE DESIGNS, INC.

NOTES TO FINANCIAL STATEMENTS

Income Taxes - The Company accounts for income taxes in accordance with Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 740 “*Income Taxes*”, which requires an asset and liability approach for financial reporting purposes. Deferred income taxes are provided for differences between the tax bases of assets and liabilities and the financial reporting amounts at the end of the period, and for net operating loss and tax credit carryforwards available to offset future taxable income. Changes in enacted tax rates or laws result in adjustments to recorded deferred tax assets and liabilities in the periods in which the tax laws are enacted or tax rates are changed.

In addition, ASC 740 clarifies the accounting for uncertainty in tax positions and requires that a company recognize in its financial statements the impact of a tax position, only if it is more likely than not of being sustained upon examination, based on the technical merits of the position. The Company recognized no material adjustments to the liability for unrecognized income tax benefits.

The Company’s policy regarding the classification of interest and penalties recognized in accordance with ASC 740 is to classify them as income tax expense in its financial statements, if applicable.

The Company is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

Concentration of Credit Risk - The Company maintains its cash and cash equivalents with a financial institution which management believes to be of high credit quality. Their accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 in coverage. The balances in these accounts may, at times, exceed the federally insured limits. The Company has not experienced any losses on the deposits and management believes the Company is not exposed to any significant credit risk related to these accounts. As of October 31, 2017, the Company had no uninsured cash balances. As of October 31, 2016, the Company had \$60,054 of uninsured cash balances.

Shipping and Handling - Shipping costs associated with acquiring inventories are charged to cost of goods sold when incurred. The Company pays shipping and handling costs on behalf of customers for purchased merchandise. These costs are billed back to the customer through the billing invoice and are included in revenue at the time the merchandise is shipped. The shipping and handling costs associated with customer orders was \$18,825 and \$28,877 as of October 31, 2017 and 2016, respectively.

Net Income Per Common Share - The Company calculates net income per share in accordance with ASC Topic 260 “*Earnings per Share*”. Basic earnings per share are calculated by dividing net income by the weighted average number of common shares outstanding for the period. The Company only has common stock outstanding for 2017 and 2016. As a result, diluted earnings per share was not calculated.

Stock-Based Compensation - The Company accounts for stock based compensation in accordance with ASC Topic 718 “*Compensation - Stock Compensation*”. In accordance with the provisions of ASC 718, share-based payment transactions with employees are measured based on the fair value of the nonequity instruments issued on the grant date or on the fair value of the liabilities incurred. Share-based payments to nonemployees are measured and recognized using the fair-value method, based on the fair value of the equity instruments issued or the fair value of goods or services received, whichever is more reliably measured.

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INNOVATIVE DESIGNS, INC.NOTES TO FINANCIAL STATEMENTS

Recent Accounting Standards Update - During the current year, various new Accounting Standards Updates (“ASUs”) were issued by the Financial Accounting Standards Board (FASB). Management has determined, based on their review, the following ASUs issued during the current year will be applicable to the Company. Management will continue to monitor the issuance of updates throughout the year to determine if the update will have an impact on the Company’s financial statements and should it have an impact, the update will be disclosed in the notes to the financial statements.

In February 2016, the FASB issued ASU 2016-02, “Leases”, which added a requirement that an entity, when acting as a lessee, should recognize in the statement of financial position a liability to make lease payments and a right-of-use asset representing its right to use the underlying asset for the lease term. For public business entities, ASU 2016-02 is effective for fiscal years beginning after December 15, 2019 including interim periods within fiscal years beginning after December 15, 2020. Early application is permitted. Management is determining if the adoption of this guidance will have any impact on the financial statements and notes thereto.

2. PROPERTY AND EQUIPMENT

Property and equipment are summarized by major classifications as follows:

	2017	2016
Equipment	\$217,577	\$217,577
Containers	14,900	—
Furniture and fixtures	11,083	11,083
Leasehold improvements	4,806	4,806
Automobile	9,121	9,121
	257,487	242,587
Less accumulated depreciation	96,625	65,662
Property and equipment - net	\$ 160,862	\$ 176,925

Depreciation expense for the years ended October 31, 2017 and 2016 was \$30,963 and \$21,024, respectively.

INNOVATIVE DESIGNS, INC.NOTES TO FINANCIAL STATEMENTS**3. BORROWINGS**

Borrowings at October 31, 2017 and 2016 consisted of the following:

	2017	2016
Due to Stockholders		
Note Payable \$8,000 - Roberta Riccelli, February 2012. Due June 17, 2012; interest is 10% for 120 days. Note was extended through a verbal agreement with no set maturity date.	5,000	5,000
Note Payable \$20,000 - Corinthian Development, January 15, 2013. Due May 15, 2013; payable on demand; interest is 10%; Note was extended through a verbal agreement with no set maturity date.	10,000	10,000
Note Payable \$25,000 - Sol & Tina Waxman Family Foundation, March 2015. Amended	27,500	25,000

July 5, 2017 for
\$27,500; Due
January 5, 2018;
interest is 10%.
Note was extended
through a verbal
agreement with no
set maturity date.

Note Payable
\$90,000 - Joseph
Riccelli, Sr., May
2013. Due
November 22,
2013; interest is
10% for 180 days.
Note was extended
through a verbal
agreement with no
set maturity date.

	40,000	79,000
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Note Payable
\$40,672 - Riccelli
Properties, August
7, 2017. Due
February 7, 2018;
interest is 10%.

	36,000	—
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Total Due to Stockholders	\$118,500	\$119,000
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Notes Payable

Note Payable - U.S.
Small Business
Administration. Due
July 2035; payable
in monthly
installments of
\$1,820 including
interest at 2.9%
annum.

	\$137,358	\$204,358
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Total Borrowings	255,858	323,358
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Less Due to Stockholders	118,500	119,000
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Less Current Portion of Notes Payable	18,096	15,467
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Total Long Term \$ 119,262 \$ 188,891 **Research and Development Costs**

Portion of Notes
Payable

Research and development costs are charged to expense as incurred. Such costs were \$436 million, \$421 million and \$375 million in 2008, 2007 and 2006, respectively.

Advertising Costs

Advertising costs are charged to expense when the advertisement is first communicated. Such costs were \$336 million, \$321 million and \$316 million in 2008, 2007 and 2006, respectively.

Discontinued Operations

We present the results of operations, financial position and cash flows of operations that have either been sold or that meet the held for sale accounting and certain other criteria as discontinued operations. See Note 2 for additional information about discontinued operations.

Foreign Currency Translation

The functional currency for our international subsidiaries and affiliates is typically the local currency. Certain international subsidiaries primarily utilize the U.S. dollar and Euro as the functional currency.

Long-Lived Assets

Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment is computed using the straight-line method based on the estimated useful lives of the assets. Depreciation expense for property, plant and equipment was \$569 million, \$562 million and \$520 million in 2008, 2007 and 2006, respectively. The estimated useful lives for major asset classifications are as follows:

Asset Classification	Estimated Useful Life
Buildings	25 to 50 years
Machinery and equipment	3 to 10 years
Computer/Software	1 to 8 years

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

We classify gains and losses associated with asset dispositions in the same line item as the underlying depreciation of the disposed asset in the Consolidated Statements of Income. Net gains recognized in cost of products sold include \$16 million, \$51 million and \$1 million for 2008, 2007, and 2006, respectively. Net gains recognized in selling, general, and administrative expense include \$19 million, \$14 million and \$3 million for 2008, 2007, and 2006, respectively.

In accordance with SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets* (SFAS 144), we record impairment losses on long-lived assets when events and circumstances indicate the assets may be impaired and the estimated future cash flows generated by those assets are less than their carrying amounts.

Derivative Financial Instruments

We use derivative instruments designated as cash flow and fair value hedges to manage our exposure to the volatility in material costs, foreign currency and interest rates on certain debt instruments. Derivative instruments are accounted for in accordance with SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended, which requires us to fair value our derivative instruments periodically. Changes in the fair value of derivative assets or liabilities (i.e., gains or losses) are recognized depending upon the type of hedging relationship and whether a hedge has been designated. For those derivative instruments that qualify for hedge accounting, we designate the hedging instrument, based upon the exposure being hedged, as a cash flow hedge, fair value hedge, or a hedge of a net investment in a foreign operation. Changes in fair value of derivative instruments that do not qualify for hedge accounting are recognized immediately in current earnings. See Note 8 for additional information about hedges and derivative financial instruments.

Income Taxes

We account for income taxes in accordance with SFAS No. 109, *Accounting for Income Taxes* (SFAS 109). Under SFAS No. 109, deferred tax assets and liabilities are determined based on the difference between the financial statement and tax basis of the respective assets and liabilities, using enacted tax rates in effect for the year in which the differences are expected to reverse. Judgment is required in determining and evaluating our income tax provisions. We establish provisions for income taxes when, based on the technical merits of the uncertain tax position, it is not more likely than not to be substantiated on a review by tax authorities. We evaluate and adjust these accruals in light of changing facts and circumstances. For additional information about income taxes, see Note 12.

Stock Based Compensation

Effective January 1, 2006, we adopted the fair value recognition provisions of SFAS No. 123(R), *Share-Based Payments*, using the modified-prospective-transition method. Under that transition method, compensation cost includes: (1) compensation cost for all share-based payments granted prior to, but not yet vested as of, January 1, 2006, based on the grant date fair value estimated in accordance with the original provisions of SFAS No. 123, and (2) compensation cost for all share-based payments granted subsequent to January 1, 2006, based on the grant date fair value estimated in accordance with the provisions of SFAS No. 123(R). The resulting costs are recognized straight-line over the period during which an employee is required to provide service in exchange for the awards (usually the vesting period of the awards). See Note 10 for additional information about stock based compensation.

BEFIEX Credits

Our Brazilian operations earned tax credits under the Brazilian government's export incentive program. These credits reduce Brazilian federal excise taxes on domestic sales, resulting in an increase in the operations recorded net sales. Based on a recalculation of available credits and a favorable court decision in the fourth

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

quarter of 2005, we were able to recognize approximately \$168 million, \$131 million and \$52 million of export credits during 2008, 2007 and 2006, respectively. As of December 31, 2008, approximately \$542 million of export credits remain. We recognize credits as they are monetized. See Note 12 for additional information about how these credits impact our effective tax rate which are included in Foreign government tax incentive in the rate reconciliation of our effective tax rate.

Reclassifications

We reclassified certain other prior period amounts in our Consolidated Financial Statements to be consistent with current period presentation. The effect of these reclassifications is not material.

New Accounting Standards

In March 2008, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 161, Disclosures about Derivative Instruments and Hedging Activities, an Amendment FASB No. 133, (SFAS 161). SFAS 161 is intended to improve transparency in financial reporting by requiring enhanced disclosures of an entity's derivative instruments and hedging activities and their effects on the entity's financial position, financial performance, and cash flows. SFAS 161 applies to all derivative instruments within the scope of SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities, (SFAS 133). SFAS 161 also applies to non-derivative hedging instruments and all hedged items designated and qualifying under SFAS 133. SFAS 161 is effective prospectively for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, with early application encouraged. SFAS 161 encourages, but does not require, comparative disclosures for periods prior to its initial adoption. We will adopt SFAS 161 on January 1, 2009 and are currently evaluating the potential impact on our financial statements.

In February 2008, the FASB issued FASB Staff Position (FSP) 157-2, Effective Date of FASB Statement No. 157 (FSP 157-2). FSP 157-2 delays the effective date of SFAS No. 157 for all non-financial assets and non-financial liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually), until the beginning of the first quarter of fiscal 2009. We adopted SFAS 157 for financial assets and liabilities on January 1, 2008. For additional information regarding SFAS 157, see Note 4.

In December 2007, the FASB issued SFAS No. 141(R), Business Combinations, (SFAS 141(R)). SFAS 141(R) requires us to continue to follow the guidance in SFAS 141 for certain aspects of business combinations, with additional guidance provided defining the acquirer, the accounting for transaction costs and contingent consideration, recognizing and measuring the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree, assets and liabilities arising from contingencies, defining a bargain purchase and recognizing and measuring goodwill or a gain from a bargain purchase. In addition, under SFAS 141(R), adjustments associated with changes in tax contingencies that occur after the measurement period, not to exceed one year, are recorded as adjustments to income. This statement is effective for all business combinations for which the acquisition date is on or after the beginning of an entity's first fiscal year that begins after December 15, 2008; however, the guidance in this standard regarding the treatment of income tax contingencies is retrospective to business combinations completed prior to January 1, 2009. We will adopt SFAS 141(R) for any business combinations occurring at or subsequent to January 1, 2009.

In December 2007, the FASB issued SFAS No. 160, Noncontrolling Interests in Consolidated Financial Statements, an Amendment of ARB No. 51, Consolidated Financial Statements, (SFAS 160). SFAS 160 establishes accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. It clarifies that a noncontrolling interest in a subsidiary is an ownership interest in the consolidated entity that should be reported as equity in the consolidated financial statements. This

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

statement is effective as of the beginning of an entity's first fiscal year that begins after December 15, 2008 with retrospective application. We will adopt SFAS 160 on January 1, 2009 and are currently evaluating the potential impact on our financial statements when implemented.

In September 2006, the FASB issued SFAS No. 157, Fair Value Measurements, (SFAS 157), which defines fair value, establishes a framework for measuring fair value in GAAP and expands disclosures about fair value measurements. The expanded disclosures in this statement about the use of fair value to measure assets and liabilities should provide users of financial statements with better information about the extent to which fair value is used to measure recognized assets and liabilities, the inputs used to develop the measurements, and the effect of certain of the measurements on earnings (or changes in net assets) for the period. We adopted SFAS 157 for financial assets and liabilities on January 1, 2008. For additional information regarding SFAS 157, see Note 4.

(2) DISCONTINUED OPERATIONS AND BUSINESS DISPOSITION

Discontinued Operations

On March 31, 2006, we completed the acquisition of Maytag. The results of Maytag's operations have been included in our Consolidated Financial Statements beginning April 1, 2006. The following businesses acquired as part of the acquisition of Maytag were divested. Divesting these businesses allows us to focus on the core appliance business.

Amana commercial

On September 6, 2006, we sold the Amana commercial microwave business to Aga Foodservice Inc. for approximately \$49 million. Revenues and costs for this business were classified as a component of discontinued operations during the second quarter of 2006. Due to our continuing involvement with the Amana commercial microwave business as an OEM supplier, we reclassified the operating results related to Amana commercial microwave business into continuing operations during the third quarter of 2006.

Dixie-Narco

On October 23, 2006, we completed the sale of the Dixie-Narco vending systems business to Crane Co. for approximately \$46 million. The difference between the proceeds received and the net book value of the assets recorded was an adjustment to goodwill.

Hoover

On January 31, 2007, we completed the sale of the Hoover floor-care business to Techtronic Industries, Co., Ltd. for approximately \$107 million. The difference between the proceeds received and the net book value of the assets recorded was an adjustment to goodwill.

Jade

On April 2, 2007, we completed the sale of the Jade commercial and residential products businesses to Middleby Corporation. The difference between the proceeds received and the net book value of the assets recorded was an adjustment to goodwill.

As part of the sale of each of the above operations, we retained certain liabilities associated with pension benefits and, in the case of Hoover, postretirement medical benefits for currently retired Hoover employees. In addition, with respect to the sale of the Dixie-Narco vending systems business, we retained certain environmental liabilities. For additional information about pension and postretirement benefits see Note 13.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

The associated results of operations and cash flows related to the discontinued operations have been separately reported as of and for the years ended December 31, 2007 and December 31, 2006.

The following table includes certain income statement information related to the results of the Dixie-Narco, Hoover and Jade businesses:

Millions of dollars	Year Ended	
	December 31,	
	2007	2006
Net sales	\$ 43	\$ 443
Loss before income taxes	(10)	(79)
Income tax benefit	3	26
Loss from discontinued operations, net of tax	\$ (7)	\$ (53)

Business Disposition

On August 10, 2006, our Latin America region sold the remaining 30% interest in an equity investment. Proceeds from the sale were approximately \$31 million. A pre-tax gain of \$30 million was recognized and classified as interest and sundry income (expense) in the Consolidated Statements of Income.

(3) GOODWILL AND OTHER INTANGIBLES**Goodwill**

Goodwill and indefinite lived intangibles are subject to an annual impairment analysis performed during the fourth quarter of each year by reporting unit. We determine the fair value of each reporting unit using discounted cash flows. Our reporting units include: North America, Europe, Multibras and Embraco (which combined is our Latin America reportable operating segment), and Asia. We performed the annual impairment tests and determined there is no impairment for any period presented.

The following table summarizes the net carrying amount of goodwill:

Reporting unit	Millions of dollars	December 31,	
		2008	2007
North America		\$ 1,724	\$ 1,755
Embraco		4	5
Total		\$ 1,728	\$ 1,760

The changes in the carrying amounts for goodwill since December 31, 2007 are due primarily to adjustments of certain Maytag exit, relocation and employee termination excess reserves and pre-acquisition uncertain tax positions.

Other Intangible Assets

The following table summarizes the net carrying amount of other intangible assets:

Millions of dollars	December 31,		Estimated
	2008	2007	Useful Life
Trademarks	\$ 1,511	\$ 1,516	Indefinite life
Customer relationships	242	258	18 years
Patents and other agreements	68	80	6 to 10 years
 Total other intangibles assets, net	 \$ 1,821	 \$ 1,854	

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Amortization expense for each of the years 2009-2012 is estimated to be \$30 million and for 2013 is estimated to be \$22 million.

(4) FAIR VALUE MEASUREMENTS

As described in Note 1, we adopted SFAS 157 on January 1, 2008. SFAS 157, among other things, defines fair value, establishes a consistent framework for measuring fair value and expands disclosure for each major asset and liability category measured at fair value on either a recurring or nonrecurring basis. SFAS 157 clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, SFAS 157 establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows: (Level 1) observable inputs such as quoted prices in active markets; (Level 2) inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and (Level 3) unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

Assets and liabilities measured at fair value are based on one or more of three valuation techniques noted in SFAS 157. The three valuation techniques are identified in the table below and are as follows:

- (a) Market approach prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities
- (b) Cost approach amount that would be required to replace the service capacity of an asset (replacement cost)
- (c) Income approach techniques to convert future amounts to a single present amount based on market expectations (including present value techniques, option-pricing and excess earnings models)

Assets and liabilities measured at fair value on a recurring basis are as follows:

Millions of dollars	December 31, 2008	Quoted Prices In Active Markets for			Valuation Technique
		Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Other Significant Unobservable Inputs (Level 3)	
Available for sale investments	\$ 17	\$ 17	\$	\$	(a)
Net derivative contracts	(234)		(234)		(a)

During the December 2008 quarter, we recorded an impairment charge of \$9 million in our Europe segment associated with an available for sale investment. The impairment charge was recorded in interest and sundry income (expense) in our Consolidated Statements of Income for the year ended December 31, 2008.

There were no changes in our valuation techniques used to measure fair values on a recurring and nonrecurring basis as a result of adopting SFAS 157.

(5) INVENTORIES

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December 31	Millions of dollars	2008	2007
Finished products		\$ 2,213	\$ 2,232
Work in process		49	52
Raw materials		515	525
		2,777	2,809
Less excess of FIFO cost over LIFO cost		(186)	(144)
Total inventories		\$ 2,591	\$ 2,665

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

The decrease in inventories, when compared to December 31, 2007, is driven primarily by the impact of changes in foreign currency and an increased excess of FIFO cost over LIFO cost.

LIFO inventories represent approximately 43% and 42% of total inventories at December 31, 2008 and 2007, respectively. During the December 2008 quarter, we increased our excess of FIFO cost over LIFO cost adjustment due to the impact of higher materials costs and lower productivity during 2008.

(6) FINANCING ARRANGEMENTS**Debt**

The following table summarizes our debt at December 31, 2008 and 2007:

Millions of dollars	2008	2007
Debentures 9.1%, maturing 2008	\$	\$ 125
Variable rate notes, maturing through 2009	200	200
Senior note 8.6%, maturing 2010	325	325
Senior note 6.125%, maturing 2011	300	299
Medium-term note 5.5%, maturing 2013	499	
Maytag medium-term note 6.5%, maturing 2014	102	103
Maytag medium-term note 5.0%, maturing 2015	190	189
Senior note 6.5%, maturing 2016	249	249
Debentures 7.75%, maturing 2016	243	243
Other (various maturing through 2016)	96	62
	2,204	1,795
Less current maturities	202	127
Total long-term debt, net of current maturities	\$ 2,002	\$ 1,668

The following table summarizes the contractual maturities of our debt, including current maturities, at December 31, 2008:

Millions of dollars	
2009	\$ 202
2010	382
2011	308
2012	9
2013	507
Thereafter	796
Total debt	\$ 2,204

On February 1, 2008 our 9.1% debentures became due and we repaid the remaining balance of \$125 million.

On February 28, 2008 we completed the issuance of \$500 million 5.50% Notes due March 1, 2013 (Notes). The Notes were issued under an existing shelf registration statement filed with the Securities and Exchange Commission. We pay interest semiannually on March 1 and September 1. The Notes contain a provision which requires Whirlpool to make an offer to purchase the Notes at a purchase price equal to 101% of the principal

amount plus any accrued and unpaid interest if certain change of control events occur. The Notes are also subject to customary non-financial covenants.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

We are in compliance with financial covenant requirements at December 31, 2008 and 2007.

The fair value of long-term debt (including current maturities) was \$2,037 million and \$1,879 million as of December 31, 2008 and 2007, respectively, and was estimated using discounted cash flow analysis based on incremental borrowing rates for similar types of borrowing arrangements.

Notes Payable

Notes payable consist of the following:

December 31	Millions of dollars	2008	2007
Payable to banks		\$ 393	\$ 164
Commercial paper			134
Total notes payable		\$ 393	\$ 298

Notes payable consist of short term borrowings payable to banks and commercial paper used to fund working capital requirements. The fair value of our notes payable approximates the carrying amount due to the short maturity of these obligations. The weighted-average interest rate on notes payable was 3.8% and 5.6% for the years ended December 31, 2008 and 2007, respectively.

We have Credit Facilities which provide a \$2.2 billion 5-year credit facility maturing on December 1, 2010, and include a \$100 million letter of credit subfacility. Borrowings under the Credit Facilities are available to us and designated subsidiaries for general corporate purposes, including commercial paper support. Subsidiary borrowings under these facilities, if any, are guaranteed by us. Interest under the Credit Facilities accrues at a variable annual rate based on the LIBOR plus a margin dependent on our credit rating at that time. The Credit Facilities require us to meet certain leverage and interest coverage requirements. At December 31, 2008 and 2007, borrowings of \$247 million and \$0, respectively, were outstanding under these credit agreements and are included within notes payable in the table above. We are in compliance with financial covenant requirements at December 31, 2008 and 2007.

Whirlpool Financial Corporation

Whirlpool Financial Corporation (WFC) is a legal entity with assets consisting primarily of leveraged leases. WFC and Whirlpool are parties to a support agreement. Pursuant to the agreement, if at the close of any quarter WFC's net earnings available for fixed charges (as defined) for the preceding twelve months is less than a stipulated amount, we are required to make a cash payment to WFC equal to the insufficiency within 60 days of the end of the quarter. We were not required to make any payments under this agreement during 2008, 2007, or 2006. The support agreement may be terminated by either WFC or us upon 30 days notice provided that certain conditions are met. We have also agreed to maintain ownership of at least 70% of WFC's voting stock.

(7) COMMITMENTS AND CONTINGENCIES**Guarantees**

We have guarantee arrangements in a Brazilian subsidiary. As a standard business practice in Brazil, the subsidiary guarantees customer lines of credit at commercial banks to support purchases following its normal credit policies. If a customer were to default on its line of credit with the bank, our subsidiary would be required to satisfy the obligation with the bank, and the receivable would revert back to the subsidiary. At December 31, 2008 and December 31, 2007, the guaranteed amounts totaled \$203 million and \$331 million, respectively. Our only recourse with respect to these arrangements would be legal or administrative collection efforts directed

against the customer.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

We provide guarantees of indebtedness and lines of credit for various consolidated subsidiaries. The maximum amount of credit facilities available under these lines for consolidated subsidiaries totaled \$1.3 billion and \$1.5 billion at December 31, 2008 and December 31, 2007. Our total outstanding bank indebtedness from guarantees totaled \$364 million and \$115 million at December 31, 2008 and December 31, 2007, respectively.

As of May 16, 2008, we guaranteed a \$50 million five year revolving credit facility between certain financial institutions and a not-for-profit entity in connection with a community and economic development project (Harbor Shores). The fair value of the guarantee is nominal. The purpose of Harbor Shores is to stimulate employment and growth in the areas of Benton Harbor and St. Joseph, Michigan. In the event of default, we must satisfy the guarantee of the credit facility up to the amount borrowed at the date of default. For additional information about Harbor Shores see our 2008 Proxy Statement for the annual meeting of shareholders filed with the Securities and Exchange Commission on March 3, 2008.

Warranty Reserves

Product warranty reserves are established in the same period that revenue from the sale of the related products is recognized. The amounts of those reserves are based on established terms and our best estimate of the amounts necessary to settle future and existing claims on products sold as of the balance sheet date. During 2007, we re-evaluated the cost of a voluntary recall of certain *Maytag* and *Jenn-Air* brand dishwashers that were associated with inventory from the acquisition of Maytag. As such, we increased the warranty liability as a purchase accounting adjustment in the opening balance sheet at March 31, 2006 with a corresponding increase to recorded goodwill. This amount is included in Acquisition in the table below.

The following represents a reconciliation of the changes in product warranty reserves for the periods presented:

Millions of dollars	2008	2007
Balance at January 1	\$ 226	\$ 284
Acquisition		53
Warranties issued during the period	417	423
Settlements made during the period	(411)	(546)
Other changes	(17)	12
Balance at December 31	\$ 215	\$ 226
Current portion	\$ 174	\$ 172
Non-current portion	41	54
Total	\$ 215	\$ 226

Product warranty reserves are included within other current liabilities and other noncurrent liabilities in our Consolidated Balance Sheets at December 31, 2008 and 2007.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**Operating Lease Commitments**

At December 31, 2008, we had noncancelable operating lease commitments totaling \$582 million. The annual future minimum lease payments are summarized by year in the table below:

Millions of dollars	
2009	\$ 150
2010	114
2011	91
2012	68
2013	58
Thereafter	101
Total noncancelable operating lease commitments	\$ 582

Our rent expense was \$201 million, \$183 million and \$154 million for the years 2008, 2007 and 2006, respectively.

Purchase Obligations

Our expected cash outflows resulting from purchase obligations are summarized by year in the table below:

Millions of dollars	
2009	\$ 288
2010	320
2011	272
2012	123
2013	71
Thereafter	8
Total purchase obligations	\$ 1,082

Legal Contingencies

The Brazilian Constitution provides a general basis for recognizing tax credits on the purchase of raw materials used in production (IPI tax credit). Certain raw materials that are exempt or have a zero tax basis in the production process qualify for these IPI tax credits. Based on legal precedent, in 2003 and 2004, we recognized tax credits in an aggregate amount of \$25 million adjusted for currency. No credits were recognized in 2005 through 2008. The Brazilian tax authority has challenged the recording of IPI tax credits. The Brazilian Supreme Court, which rules on a case by case basis, ruled adversely against another taxpayer in an IPI tax credit case. That ruling is not yet final. Our case is being defended at an administrative level. Our potential exposure ranges from zero to \$60 million comprised of \$25 million in taxes, \$18 million in interest and \$17 million in penalties. It is not possible to determine the outcome of these legal proceedings with certainty and as such, we have not accrued a liability for this exposure at December 31, 2008.

In 1989, a Brazilian affiliate (now a subsidiary) brought an action against a financial institution in Brazil seeking a Declaration of Non-Enforceability of Obligations relating to loan documentation entered into without authority by a senior officer of the affiliate. In September 2000, an adverse decision in the declaratory action became final. In 2001, the financial institution began a collection action and we responded with a counterclaim. The

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lower court dismissed the counterclaim in 2002 and the Superior Court confirmed the lower court decision in December 2005. The Superior Court dismissed our counterclaim in 2007. In late 2008, the lower court issued a

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

decision in the collection action in favor of the financial institution in the amount of 283 million Brazilian Real (approximately \$121 million U.S., based on recent exchange rates), plus judicial adjustments, which could be significant. We have appealed this decision. Based on our outside counsel's assessment of the case, the amount previously accrued for our estimated exposure for this litigation remains unchanged. However, the amount of the final award, if any, may be materially different than the amount we have accrued.

On February 17, 2009, we received a grand jury subpoena from the U.S. Department of Justice requesting documents relating to an antitrust investigation of the global compressor industry. Whirlpool subsidiaries in Brazil and Italy were visited on the same day by competition authorities seeking similar information. We intend to cooperate with these investigations. It is not possible at this time to predict the likely outcome or impact of these investigations.

We are currently defending a number of class action suits in federal and state courts alleging breach of warranty, fraud and violation of state consumer protection acts. There are no allegations of any personal injury or property damage. However, unspecified compensatory damages are being sought. We believe these suits are without merit. We intend to vigorously defend these actions.

We are involved in various other legal actions arising in the normal course of business. Management, after taking into consideration legal counsel's evaluation of such actions, is of the opinion that the outcome of these matters will not have a material adverse effect, if any, on our Consolidated Financial Statements.

Product Recalls

We regularly engage in investigations of potential quality and safety issues as part of our ongoing effort to deliver quality products to customers. We are currently investigating a limited number of potential quality and safety issues. As necessary, we undertake to effect repair or replacement of appliances in the event that an investigation leads to the conclusion that such action is warranted.

We currently expect to undertake a corrective action to address a supplier-related quality and potential product safety problem that may affect 1 million appliances manufactured between 2001 and 2003. We have accrued \$31.5 million for this matter based on our current estimate of the costs of the action.

On March 21, 2007, we announced a voluntary recall related to approximately 250,000 *Maytag* brand front-load washing machines. The cost of this recall will be paid by the OEM supplier.

On February 1, 2007, Maytag Corporation announced a voluntary recall of approximately 2.3 million Maytag and Jenn-Air brand dishwashers. We originally estimated the cost of the recall to be \$82 million, which we recorded as an assumed liability in our purchase price allocation related to the acquisition of Maytag, with a corresponding increase to recorded goodwill. As of September 30, 2008, we had revised this estimate to \$102 million due to an anticipated increase in the response rate. The incremental increase of \$20 million was charged to cost of products sold in our Consolidated Statements of Income during 2008. Of this \$102 million accrual, we have approximately \$7 million remaining at December 31, 2008.

(8) HEDGES AND DERIVATIVE FINANCIAL INSTRUMENTS

We are exposed to market risk from changes in foreign currency exchange rates, domestic and foreign interest rates, and commodity prices. Fluctuations in these rates and prices can affect our operating results and financial condition. We manage the exposure to these market risks through operating and financing activities and through the use of derivative financial instruments. We do not enter into derivative financial instruments for speculative or trading purposes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Using derivative markets means assuming counterparty credit risk. Counterparty credit risk relates to the loss we could incur if a counterparty defaulted on a derivative contract. We primarily deal with investment-grade counterparties and monitor the overall credit risk and exposure to individual counterparties. We do not anticipate nonperformance by any counterparties. The amount of counterparty credit exposure is the unrealized gains on such derivative contracts. We do not require, nor do we post, collateral or security on such contracts.

The following table summarizes our outstanding derivative contracts at December 31, 2008 and 2007:

Exposure	Derivative	Notional Amount in Millions of dollars		Hedge Type	Term
		2008	2007		
Forecasted cross currency cash flows	Foreign exchange forwards/options	\$ 1,831	\$ 2,023	Cash flow or fair value hedge	Various, up to 18 months
Non-functional currency asset/liability	Foreign exchange forwards/options	\$ 1,130	\$ 1,154	Undesignated	Various, up to 11 months
Raw material purchases	Commodity swaps	\$ 217	\$ 294	Cash flow or fair value hedge	Various, up to 35 months
Raw material purchases	Commodity swaps	\$ 45	\$ 23	Undesignated	Various, up to 11 months
Floating rate debt	Interest rate swap	\$ 50	\$ 50	Cash flow hedge	2009
Fixed rate debt	Interest rate swaps	\$	\$ 100	Fair value hedge	2008
Floating rate debt	Interest rate swaps	\$	\$ 150	Cash flow hedge	2008

Forecasted cross currency cash flows relate primarily to foreign currency denominated expenditures and intercompany financing agreements, royalty agreements and dividends. Non-functional currency asset and liability hedges are undesignated but relate primarily to short term payables and receivables and intercompany loans. Commodity swaps relate to raw material purchases (for example, copper and aluminum) used in the manufacturing process. Unrealized gains and losses relating to these foreign exchange forwards/options and commodity swaps were a loss of \$233 million and a loss of \$3 million at December 31, 2008 and 2007, respectively.

An interest rate swap with a notional amount of \$50 million maturing in 2009 is designated and accounted for as a cash flow hedge on future cash payments. The fair value of this contract was a loss of \$1 million and \$0.5 million as of December 31, 2008 and 2007, respectively. During 2008, certain interest rate swaps matured associated with fixed and floating rate debt with notional amounts of \$100 million and \$150 million, respectively.

Gains and losses related to the ineffective portion of our hedging instruments were immaterial for the years ended December 31, 2008, 2007 and 2006.

The amount of unrealized loss on derivative instruments included in accumulated other comprehensive income related to contracts maturing, and expected to be realized during 2009 is \$141 million at December 31, 2008.

During November and December 2008, we cash settled certain foreign currency derivative contracts prior to their scheduled settlement dates. As a result of these transactions, we received \$82 million in cash, which represented the fair value of these contracts at the date of settlement. In accordance with SFAS 133, effective gains of \$82 million were recorded in accumulated other comprehensive income until the hedged forecasted transactions affect earnings. These gains will then be recorded as a reduction in cost of products sold on our

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Consolidated Statements of Income. Approximately \$10 million in gains were recorded into earnings during the December 2008 quarter. There was no ineffectiveness related to these settled foreign currency derivative contracts.

(9) STOCKHOLDERS EQUITY

Repurchase Program

In June 2004, our Board of Directors authorized a share repurchase program of up to \$500 million. During 2007, we repurchased 3.8 million shares at an aggregate purchase price of \$368 million and during the three months ended March 31, 2008, we repurchased 1.1 million shares at an aggregate purchase price of \$97 million under this program. At March 31, 2008, there were no remaining funds authorized under this program.

On April 23, 2008, our Board of Directors authorized a new share repurchase program of up to \$500 million. Share repurchases are made from time to time on the open market as conditions warrant. During 2008, we repurchased 1.9 million shares at an aggregate purchase price of \$150 million under this program. At December 31, 2008, there were \$350 million remaining funds authorized under this program.

Comprehensive Income

Comprehensive income primarily includes (1) our reported net earnings, (2) foreign currency translation, (3) changes in the effective portion of our open derivative contracts designated as cash flow hedges, (4) changes in our unrecognized pension and other postretirement benefit obligations (post adoption of SFAS 158) and (5) changes in fair value of our available for sale securities.

The following table shows the components of accumulated other comprehensive income at December 31, 2008, 2007 and 2006, and the activity for the years then ended:

Millions of dollars	Foreign Currency	Derivative Instruments	Unrecognized		Marketable Securities	Total
			Additional Minimum Pension Liability	Pension and Postretirement Liability		
Balance at December 31, 2005	\$ (545)	\$	\$ (317)	\$	\$	\$ (862)
Additional minimum pension liability adjustments				194		194
Unrealized gain	173	52				225
Tax effect	(4)	(4)	(78)			(86)
Net of tax	169	48	116			333
Adoption of SFAS 158, net			201	(315)		(114)
Balance at December 31, 2006	(376)	48		(315)		(643)
Unrealized gain (loss)	309	(69)			17	257
SFAS 158				225		225
Tax effect	(34)	4		(79)		(109)
Net of tax	275	(65)		146	17	373

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Balance at December 31, 2007	(101)	(17)	(169)	17	(270)
Unrealized loss	(458)	(150)		(10)	(618)
SFAS 158			(726)		(726)
Tax effect	34	47	274		355
Net of tax	(424)	(103)	(452)	(10)	(989)
Balance at December 31, 2008	\$ (525)	\$ (120)	\$ (621)	\$ 7	\$ (1,259)

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**Net Earnings per Share**

Diluted net earnings per share of common stock include the dilutive effect of stock options and other share-based compensation plans. For the years ended December 31, 2008, 2007 and 2006, a total of approximately 2,728,410 options, 1,709,000 options and 2,021,000 options, respectively, were excluded from the calculation of diluted earnings per share because their exercise prices would render them anti-dilutive.

Basic and diluted earnings per share from continuing operations were calculated as follows:

Millions of dollars and shares	2008	2007	2006
Numerator for basic and diluted earnings per share earnings from continuing operations	\$ 418	\$ 647	\$ 486
Denominator for basic earnings per share weighted-average shares	75.1	78.5	75.1
Effect of dilutive securities stock-based compensation	0.9	1.4	1.4
Denominator for diluted earnings per share adjusted weighted-average shares	76.0	79.9	76.5

Preferred Stock Purchase Rights

Rights to repurchase preferred stock under the Rights Agreement dated April 12, 1998 expired on May 22, 2008 pursuant to the terms of the Rights Agreement.

(10) STOCK OPTION AND INCENTIVE PLANS

We sponsor several share-based employee incentive plans. Share-based compensation expense for grants awarded under these plans was \$30 million, \$40 million and \$37 million in 2008, 2007, and 2006, respectively. Related income tax benefits recognized in earnings were \$11 million, \$15 million and \$14 million in 2008, 2007, and 2006, respectively.

Unrecognized compensation cost related to non-vested stock option and RSU awards as of December 31, 2008 and December 31, 2007 totaled \$38 million and \$54 million, respectively. The cost of these non-vested awards is recognized over the estimated requisite service period. The weighted-average remaining vesting period of the non-vested awards is approximately 22 months.

Share-Based Employee Incentive Plans

On April 17, 2007, our shareholders approved the 2007 Omnibus Stock and Incentive Plan (2007 OSIP). This plan was previously adopted by our Board of Directors on February 20, 2007 and provides for the issuance of stock options, performance stock units, performance shares, restricted stock and restricted stock equivalents with terms of no more than 10 years. We have reserved 3,000,000 shares of common stock for issuance, as authorized under this plan, of which 2,208,245 remain available for issuance at December 31, 2008.

The 2007 OSIP replaced the 1998, 2000 and 2002 OSIPs (Old Plans). The Old Plans will remain in existence solely for the purpose of addressing the rights of holders of already granted existing awards. Prior to the approval of the 2007 OSIP, we granted 453,620 options, with an exercise price of \$94.47 and a 10-year term and 256,527 restricted stock units in 2007. No additional awards will be granted under the Old Plans. Any shares subject to outstanding awards granted under the old plans that subsequently lapse, expire, are forfeited or are cancelled are available for grant under the 2007 OSIP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Stock Options

Eligible employees receive stock options as a portion of their total compensation. Such options generally become exercisable over a three-year period, expire 10 years from the date of grant and are subject to forfeiture upon termination of employment.

We use the Black-Scholes option-pricing model to measure the fair value of stock options granted to employees. Granted options have exercise prices equal to the market price of Whirlpool common stock on the grant date. The principal assumptions utilized in valuing options include: (1) risk-free interest rate an estimate based on the yield of U.S. zero coupon securities with a maturity equal to the expected life of the option; (2) expected volatility an estimate based on the historical volatility of Whirlpool common stock for a period equal to the expected life of the option; and (3) expected option life an estimate based on historical experience. Based on the results of the model, the weighted-average fair values of stock options granted during the years ended December 31, 2008, 2007, and 2006 were \$21.03, \$22.54, \$22.07, respectively, using the following assumptions:

Weighted Average Black-Scholes Assumptions	2008	2007	2006
Risk-free interest rate	3.0%	4.7%	4.6%
Expected volatility	28.1%	22.6%	25.6%
Expected dividend yield	2.0%	1.9%	2.1%
Expected option life	5 years	5 years	5 years

Stock Option Activity

The following table summarizes stock option activity during the years ended December 31, 2008, 2007, and 2006:

	2008		2007		2006	
	Number	Weighted-Average Exercise Price	Number	Weighted-Average Exercise Price	Number	Weighted-Average Exercise Price
Thousands of shares, except per share data	of Options		of Options		of Options	
Outstanding at January 1	4,304	\$ 90.71	5,013	\$ 84.97	3,733	\$ 60.37
Granted	698	85.32	457	94.48	2,249	117.56
Exercised	(399)	60.38	(1,052)	63.19	(871)	63.11
Canceled or expired	(466)	131.72	(114)	106.10	(98)	90.20
Outstanding at December 31	4,137	\$ 87.81	4,304	\$ 90.71	5,013	\$ 84.97
Exercisable at December 31	3,214	\$ 87.39	3,564	\$ 90.70	4,488	\$ 79.47

During the year ended December 31, 2006, we granted 2,249,000 stock options of which 1,778,000 relate to Maytag options that were converted to Whirlpool options on the date of the Maytag acquisition at a weighted average grant price of \$125.10.

The total intrinsic value of stock options exercised was \$10 million, \$39 million and \$20 million for the years ended December 31, 2008, 2007 and 2006, respectively. The related tax benefits were \$3 million, \$15 million and \$8 million in 2008, 2007 and 2006, respectively. Cash received from the exercise of stock options was \$21 million, \$68 million, and \$54 million for the years ended December 31, 2008, 2007 and 2006, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

The fair value of stock options vested was \$7 million, \$5 million and \$32 million for the years ended December 31, 2008, 2007, and 2006, respectively. Of the \$32 million that vested in 2006, \$27 million related to the acquisition of Maytag.

The table below summarizes additional information related to stock options outstanding at December 31, 2008:

Options in thousands	Outstanding Net of Expected Forfeitures	Options Exercisable
Number of options	3,975	3,214
Weighted-average exercise price	\$ 87.72	\$ 87.39
Weighted-average remaining contractual term, in years	5.0	4.2

The aggregate intrinsic value of options outstanding (net of expected forfeitures) and options exercisable was nominal at December 31, 2008.

Restricted Stock Units

Eligible employees receive Restricted Stock Units (RSU) as a portion of their total compensation. RSU awards vest over various time periods depending upon the program, but generally vest from three years to seven years and convert to unrestricted common stock at the conclusion of the vesting period. All or a portion of an award may be canceled if employment is terminated before the end of the relevant vesting period. Certain awards accrue dividend equivalents on outstanding RSUs (in the form of additional RSUs) based on dividends declared on Whirlpool common stock. We measure compensation cost based on the closing market price of Whirlpool common stock at the grant date.

The following table summarizes RSU activity during the year ended December 31, 2008:

RSUs in thousands	Number of RSUs	Weighted- Average Grant Date Fair Value
Non-vested, December 31, 2007	1,499	\$ 87.55
Granted	310	55.83
Canceled	(524)	77.61
Vested and transferred to unrestricted	(177)	71.86
Non-vested, December 31, 2008	1,108	\$ 77.66

Nonemployee Director Equity Plan

Our Nonemployee Director Equity Plan provides for (1) a one time grant of 1,000 shares of common stock made at the time a director first joins the Board; (2) an annual grant of stock options, with the number of options to be determined by dividing \$36,000 by the product of the fair market value of a single share of our common stock on the final trading day before the annual meeting of stockholders multiplied by 0.35; and (3) an annual grant of stock, with the number of shares to be issued to the director determined by dividing \$54,000 by the average fair market value of a single share of our common stock for the final three trading days before the grant. The exercise price under each option granted is the fair market value of the common stock on the last trading day before the annual meeting of stockholders.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(11) RESTRUCTURING CHARGES

Under our ongoing global operating platform initiatives, we implemented certain restructuring initiatives to strengthen our leadership position in the global appliance industry. We plan to continue a comprehensive worldwide effort to optimize our regional manufacturing facilities, supply base, product platforms and technology resources to support our global brands and customers.

We incurred total restructuring charges of \$149 million, \$61 million, \$55 million during the years ended December 31, 2008, 2007, 2006 respectively. These charges are included in restructuring in our Consolidated Statements of Income and other long-term liabilities on our Consolidated Balance Sheets and primarily consist of charges to restructure the cooking platform in Latin America, shift refrigeration and dishwasher capacity to lower cost regions in Europe and North America, restructure the laundry platform in North America and Europe and reorganize the salaried workforce throughout Europe and North America.

On October 27, 2008, management committed to a workforce reduction plan whereby we will reduce our employee base worldwide beginning during the fourth quarter of 2008 and through the beginning of 2010. We expect to incur approximately \$110 million in employee termination costs, \$19 million in asset impairment costs and \$1 million in other associated costs for a total of \$130 million that will be incurred as a result of this workforce reduction. During the December 2008 quarter we incurred charges of \$64 million associated with this workforce reduction, which are included in the \$149 million in total restructuring charges discussed above. As of December 31, 2008, approximately \$66 million of these workforce reduction costs remain, of which \$51 million will result in future cash expenditures.

Our 2008 restructuring initiatives are reducing our overall workforce by approximately 5,000 employees and contractors worldwide through the beginning of 2010. We expect to incur additional costs of \$39 million in our Europe region, \$7 million in our Latin America region, \$18 million in our North American region and \$2 million in corporate expenses through the beginning of 2010 related to these initiatives. For additional information about restructuring charges by business segment, see Note 14.

Maytag integration restructuring accruals resulted from the closing of the Newton, Iowa, Herrin, Illinois and Searcy, Arkansas laundry manufacturing plants as well as the former headquarters and other administrative offices during 2006. The costs accrued are recorded in other long-term liabilities on our Consolidated Balance Sheets with a corresponding initial amount recorded to goodwill. As of March 31, 2008, we revised our estimate and reduced certain Maytag exit, relocation and employee termination accruals which resulted in a corresponding decrease to goodwill. No additional revisions were made during the remainder of 2008.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

A summary of our restructuring liability balance and full year restructuring activity for 2008, 2007, 2006 is as follows:

Millions of dollars	January 1, Balance	Maytag Acquisition	Charge to Earnings	Cash Paid	Non-Cash	Revision of Estimate	Translation	December 31 Balance
2008								
Termination costs	\$ 56	\$	\$ 134	\$ (86)	\$	\$ (21)	\$ (1)	\$ 82
Non-employee exit costs	44		15	(12)	(18)	(7)		22
Total	\$ 100	\$	\$ 149	\$ (98)	\$ (18)	\$ (28)	\$ (1)	\$ 104
2007								
Termination costs	\$ 128	\$	\$ 34	\$ (95)	\$	\$ (13)	\$ 2	\$ 56
Non-employee exit costs	49		27	(30)	(18)	16		44
Total	\$ 177	\$	\$ 61	\$ (125)	\$ (18)	\$ 3	\$ 2	\$ 100
2006								
Termination costs	\$ 15	\$ 134	\$ 26	\$ (100)	\$	\$ 51	\$ 2	\$ 128
Non-employee exit costs	4	35	29	(15)	(20)	16		49
Total	\$ 19	\$ 169	\$ 55	\$ (115)	\$ (20)	\$ 67	\$ 2	\$ 177

(12) INCOME TAXES

Income tax expense is as follows:

Year ended December 31	Millions of dollars	2008	2007	2006
Current:				
Federal		\$ 9	\$ (28)	\$ 125
State and local		14	8	(7)
Foreign		66	128	68
		89	108	186
Deferred:				
Federal		(309)	28	(112)
State and local		(31)	3	1
Foreign		50	(22)	51
		(290)	9	(60)
Total income tax (benefit) expense		\$ (201)	\$ 117	\$ 126

Domestic and foreign earnings (loss) before income taxes and other items are as follows:

Year ended December 31	Millions of dollars	2008	2007	2006
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Domestic	\$ (433)	\$ 103	\$ 231
Foreign	679	701	388
Total earnings (loss) from continuing operations before income tax and other items	\$ 246	\$ 804	\$ 619

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Reconciliations between tax expense at the U.S. federal statutory income tax rate of 35% and the consolidated effective income tax rate for earnings from continuing operations before income taxes and other items are as follows:

Year ended December 31	2008	2007	2006
Income tax rate computed at U.S. federal statutory rate	35.0%	35.0%	35.0%
U.S. foreign tax credits	(73.9)	(2.2)	(5.3)
U.S. tax on foreign dividends and subpart F income	66.6	0.7	2.9
U.S. government tax incentives	(42.6)	(3.7)	(10.2)
Foreign government tax incentive	(34.5)	(7.6)	(2.7)
Deductible interest on capital	(13.4)	(2.7)	(3.1)
Foreign tax rate differential	(9.4)	(1.4)	1.6
Settlement of global tax audits	(8.6)	2.7	2.6
State and local taxes, net of federal tax benefit	(6.7)	1.0	0.3
Real estate donations		(1.1)	
Medicare Part D subsidy		(0.6)	(1.1)
Impact of tax rate changes	0.7	1.9	
Valuation allowances	2.1	(7.1)	0.3
Foreign withholding taxes	4.7	1.9	2.3
Other items, net	(1.7)	(2.3)	(2.2)
Effective tax rate	(81.7)%	14.5%	20.4%

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities used for financial reporting purposes and the amounts used for income tax purposes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Significant components of our deferred tax liabilities and assets from continuing operations are as follows:

December 31	Millions of dollars	2008	2007
Deferred tax liabilities			
Property, plant and equipment		\$ 229	\$ 262
Financial services leveraged leases		22	25
Pensions		17	17
Software costs		12	17
LIFO inventory		86	81
Intangibles		633	633
Other		164	163
Total deferred tax liabilities		1,163	1,198
Deferred tax assets			
Postretirement obligations		470	492
Inventory prepayments		323	
Pensions		439	189
Restructuring costs		28	30
Product warranty accrual		75	85
Receivable and inventory allowances		57	46
Capital loss carryforwards			19
Loss carryforwards		306	286
Employee payroll and benefits		87	128
Foreign tax credit carryforwards		4	102
U.S. general business credit carryforwards		175	88
Hedging		109	2
Accrued expenses		68	128
Other		218	135
Total deferred tax assets		2,359	1,730
Valuation allowances for deferred tax assets		(147)	(72)
Deferred tax assets, net of valuation allowances		2,212	1,658
Net deferred tax assets		\$ 1,049	\$ 460

At December 31, 2008, we have net operating loss carryforwards of \$1,380 million, \$789 million of which do not expire, with substantially all of the remaining expiring in various years through 2013. As of December 31, 2008, we had \$4 million of foreign tax credit carryforwards and \$175 million of U.S. general business credit carryforwards available to offset future payments of federal income taxes, expiring between 2016 and 2028.

We routinely review the future realization of deferred tax assets based on projected future reversal of taxable temporary differences, available tax planning strategies and projected future taxable income. We have recorded a valuation allowance to reflect the net estimated amount of certain deferred tax assets associated with net operating loss and other deferred tax assets we believe will be realized. Our recorded valuation allowance of \$147 million at December 31, 2008 consists of \$86 million of net operating loss carryforwards and \$61 million of other deferred tax assets. We believe that it is more likely than not that we will realize the benefit of existing deferred tax assets, net of valuation allowances mentioned above.

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We have historically reinvested all unremitted earnings of our foreign subsidiaries and affiliates. We plan to distribute approximately \$147 million of foreign earnings over the next several years. This distribution is forecasted to result in tax benefits which have not been recorded because of their contingent nature. There has

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

been no deferred tax liability provided on the remaining amount of unremitted earnings of \$1.8 billion at December 31, 2008. Should we make a distribution out of the \$1.8 billion of unremitted earnings, we would be subject to additional U.S. taxes (subject to an adjustment for foreign tax credits) and withholding taxes payable to the various foreign countries. It is not practicable to estimate the amount of the deferred tax liability associated with these unremitted earnings.

On October 3, 2008, The Emergency Economic Stabilization Act of 2008 (the Act) was signed into law. The Act includes a wide-range of provisions that are intended to ensure that conservation and efficiency are a central component to the United States energy strategy. Among the many provisions of this legislation are manufacturers tax credits for the accelerated U.S. production of super-efficient clothes washers, refrigerators and dishwashers that meet or exceed certain Energy Star thresholds for energy and water conservation levels as set by the U.S. Department of Energy (Energy Credit). The tax credits apply to eligible production during the 2008 to 2010 calendar years provided the production of qualifying product in any individual year exceeds a rolling two year baseline of production. We have historically, and will continue to, invest over 2% of our annual sales in research and development to provide innovative and energy efficient products that meet these standards for our customers. As a result, during the December 2008 quarter and in future periods through 2010 we expect to record a tax credit benefit under the provisions of the Act related to the production of qualifying appliances. Including the Energy Credit, total general business tax credits recorded during 2008 reduced our effective tax rate by 43%.

We are in various stages of audits by certain governmental tax authorities. We establish liabilities for the difference between tax return provisions and the benefits recognized in our financial statements. Such amounts represent a reasonable provision for taxes ultimately expected to be paid, and may need to be adjusted over time as more information becomes known.

We adopted FIN 48 Accounting for Uncertainty in Income Taxes an interpretation of FASB 109 (FIN 48) on January 1, 2007, at which time the total amount of gross unrecognized tax benefit on the Consolidated Balance Sheet was \$166 million. Upon adoption of FIN 48, we recognized a \$2 million increase in the liability for unrecognized tax benefits and a \$2 million decrease in federal benefit related to state uncertain tax positions. The increase has been accounted for as a reduction to retained earnings in the amount of \$8 million and a reduction to goodwill in the amount of \$4 million. A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

Millions of dollars	2008	2007
Balance, January 1	\$ 189	\$ 166
Additions for tax positions of the current year	4	36
Additions for tax positions of the prior year	2	20
Reductions for tax positions of prior years for:		
Changes in judgment	(39)	(28)
Settlements during the period	(37)	(4)
Lapses of applicable statute of limitation		(1)
Balance, December 31	\$ 119	\$ 189

Included in the liability for unrecognized tax benefits at December 31, 2008 and 2007 are \$119 and \$141 million, respectively, of unrecognized tax benefits that if recognized would impact the effective tax rate, net of \$16 million and \$16 million, respectively, of federal benefits related to state uncertain tax positions.

We recognize charges related to interest and penalties for unrecognized tax benefits as a component of income tax expense. As of December 31, 2008 and 2007, we have accrued interest and penalties of \$25 and \$40 million, respectively. Interest and penalties are not included in the tabular rollforward of unrecognized tax benefits above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

We file income tax returns in the U.S. federal, various state, local and foreign jurisdictions. We are no longer subject to any significant U.S. federal, state, local or foreign income tax examinations by tax authorities for years before 2006. The Internal Revenue Service commenced an examination of our U.S. income tax returns for 2006 and 2007 in the fourth quarter of 2008 that is anticipated to be completed during early 2010. It is reasonably possible that certain unrecognized tax benefits of \$1 million could be settled with the related jurisdictions during the next 12 months.

(13) PENSION AND POSTRETIREMENT MEDICAL BENEFITS PLANS

We have funded and unfunded noncontributory defined benefit pension plans that cover substantially all of our North American employees and certain European, Asian and Brazilian employees. The formula for U.S. salaried employees covered under the defined benefit plan sponsored by Whirlpool was based on years of service and final average salary, while the formula for U.S. hourly employees covered under the defined benefit plans sponsored by Whirlpool was based on specific dollar amounts for each year of service. There were multiple formulas for employees covered under the defined benefit plan sponsored by Maytag, including a cash balance formula. The U.S. plans are frozen for the majority of participants. An enhanced defined contribution plan is being provided to affected employees subsequent to the pension plan freezes and is not classified within the net periodic benefit cost.

The U.S. qualified defined benefit pension plans provide that in the event of a plan termination within five years (36 months for the defined benefit plan sponsored by Maytag) following a change in control of Whirlpool, any assets held by the plans in excess of the amounts needed to fund accrued benefits would be used to provide additional benefits to plan participants. A change in control generally means either a change in the majority of the incumbent Board of Directors or an acquisition of 25% (30% for purposes of the Whirlpool Production Employees Retirement Plans and 20% for purposes of the defined benefit plan sponsored by Maytag) or more of the voting power of Whirlpool's outstanding stock.

We provide postretirement health care benefits for eligible retired U.S. employees. Eligible retirees include those who were full-time employees with 10 years of service who attained age 55 while in service with us and those union retirees who met the eligibility requirements of their collective bargaining agreements. In general, the postretirement health care plans are contributory with participants' contributions adjusted annually and generally include cost-sharing provisions that limit our exposure for recent and future retirees. The plans are unfunded. We reserve the right to modify the benefits. We provide no significant postretirement medical benefits to non-U.S. employees.

Amended Plans

On August 1, 2008, certain retiree medical benefits for the retirees and remaining active participants associated with our Newton, Iowa manufacturing facility were amended (Newton Amendment), effective January 1, 2009, to be consistent with those benefits provided by the Whirlpool Corporation Group Benefit Plan. The result of this amendment was a reduction in the postretirement benefit obligation of \$229 million with a corresponding increase to other comprehensive income, net of tax.

In conjunction with the Newton Amendment, we initiated legal proceedings with certain retirees and the United Automobile, Aerospace, and Agricultural Implement Workers of America to seek a declaratory judgment that Whirlpool has the right to change retiree medical benefits after July 31, 2008, the expiration date of the collective bargaining agreement. In response, a similar group of retirees has initiated legal proceedings against Whirlpool asserting the above benefits are vested. We believe the outcome of the legal proceedings against Whirlpool will not have a material adverse effect on our Consolidated Financial Statements.

In December of 2007, The Maytag Corporation Employees Retirement Plan was amended to cease all benefit accruals effective December 31, 2007 for the production plant in Amana, Iowa. An enhanced defined

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

contribution benefit was provided to eligible affected employees subsequent to the effective date of the plan amendment. Also, effective for retirements on and after January 1, 2008, a retirement supplement of \$300 per month will be provided for 24 months following the retirement of eligible Amana hourly employees retiring during the term of the current union agreement. The effect of this amendment was to increase the PBO at December 31, 2007 by approximately \$2 million.

In July of 2007, we announced certain changes to the Whirlpool Retiree Healthcare Plan that took effect on January 1, 2008 and January 1, 2009. These changes include an adjustment to the Retiree Health Savings Account (RHSA) credit received by certain groups of heritage Maytag and heritage Whirlpool employees, the substitution of post-65 drug coverage with a credit or adjusted notional account that may be used to offset the cost of Medicare Part D premiums or other employer-sponsored medical coverage for certain groups of heritage Maytag and heritage Whirlpool retirees; and the replacement of certain heritage Maytag retiree medical plans with PPO coverage offered under the Whirlpool Retiree Healthcare Plan. As a result of these changes, we recognized a reduction in our long-term post-employment obligation of \$82 million. An additional \$46 million reduction in the long-term post-employment benefit obligation was realized as a result of a change in discount rate consistent with the July 1, 2007 remeasurement date. The offsetting credit was recorded, net of the related deferred tax asset, as an increase in accumulated other comprehensive income.

The U.S. heritage Whirlpool and Maytag pension plans were amended to cease benefit accruals for the majority of salaried and non-union participants effective December 31, 2006. For heritage Whirlpool salaried employees who are eligible to retire before January 1, 2010, the plan freeze will be effective December 31, 2009. The Whirlpool Production Employees Retirement Plans (WPERP) at Fort Smith and LaVergne, which cover union employees, were amended to cease all benefit accruals effective June 30, 2007 and January 31, 2007, respectively. An enhanced defined contribution plan is being provided to affected employees subsequent to the plan freezes.

The Pension Protection Act of 2006 required changes in the basis for calculating lump sum payments effective January 1, 2008. The effect of these changes reduced the projected benefit obligation (PBO) at December 31, 2007 by approximately \$39 million.

401(k) Defined Contribution Plan

We maintain a 401(k) defined contribution plan covering substantially all U.S. employees. Our matching contributions for most employees are based on the level of individual participants' contributions and, for certain domestic union hourly and certain salaried Whirlpool employees who are eligible to retire on or before December 31, 2009, are based on annual operating results and the level of individual participants' contributions. We also make automatic company contributions for eligible employees in an amount equal to 3% of the employee's eligible pay. Our contributions amounted to the following amounts:

Millions of dollars	2008	2007	2006
401 (k) Company contributions	\$ 70	\$ 68	\$ 29

Adoption of SFAS No. 158

On December 31, 2006, we adopted the recognition and disclosure provisions of SFAS No. 158 Employers Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of SFAS Nos. 87, 88, 106 and 132R (SFAS 158). SFAS 158 requires that we recognize the funded status of our defined benefit pension plans and other postretirement plans on our Consolidated Balance Sheet as of December 31, 2006, with a corresponding adjustment to accumulated other comprehensive income, net of tax. The adjustment to accumulated other comprehensive income at adoption represents the net unrecognized actuarial losses and

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

unrecognized prior service costs and credits, which were previously netted against the plans' funded status in our Consolidated Balance Sheets pursuant to the provisions of SFAS 87, "Employers' Accounting for Pensions" and SFAS 106. These amounts will be subsequently recognized as net periodic (benefit) cost pursuant to our accounting policy for amortizing such amounts. Actuarial gains and losses that arise in subsequent periods and are not recognized as net periodic (benefit) cost in the same periods will be recognized as a component of other comprehensive income. These gains and losses will be subsequently recognized as a component of net periodic (benefit) cost on the same basis as the amounts recognized in accumulated other comprehensive loss at adoption of SFAS 158.

The incremental effects of adopting SFAS 158 on our Consolidated Balance Sheet at December 31, 2006 are presented in the following table:

Millions of dollars	Before Adopting SFAS 158	Adjustments to Adopt SFAS 158	After Adopting SFAS 158
Assets			
Noncurrent benefit asset	\$ 12	\$ (12)	\$
Intangible asset	38	(38)	
Deferred tax asset	115	63	178
Liabilities			
Current benefit liability		113	113
Noncurrent benefit liability	2,031	14	2,045
Stockholders' Equity			
Accumulated other comprehensive loss	(201)	(114)	(315)

We use a December 31 measurement date for our pension and postretirement benefit plans.

Obligations and Funded Status at End of Year

Millions of dollars	U.S. Pension Benefits		Foreign Pension Benefits		Other Postretirement Benefits	
	2008	2007	2008	2007	2008	2007
Funded Status						
Fair value of plan assets	\$ 2,212	\$ 3,062	\$ 156	\$ 180	\$	\$
Benefit obligations	3,547	3,580	342	393	904	1,151
Funded status	\$ (1,335)	\$ (518)	\$ (186)	\$ (213)	\$ (904)	\$ (1,151)

Amounts recognized in the statement of financial position

Noncurrent asset	\$	\$	\$ 3	\$ 13	\$	\$
Current liability	(12)	(8)	(7)	(10)	(82)	(90)
Noncurrent liability	(1,323)	(510)	(182)	(216)	(822)	(1,061)
Amount recognized	\$ (1,335)	\$ (518)	\$ (186)	\$ (213)	\$ (904)	\$ (1,151)

Amounts recognized in accumulated other comprehensive income (pre-tax)

Net actuarial loss	\$ 1,187	\$ 275	\$ 41	\$ 31	\$ 75	\$ 131
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Prior service (credit)/cost	(23)	(23)	4	4	(290)	(150)
Transition (asset)/obligation			(1)	(1)	1	1
Amount recognized	\$ 1,164	\$ 252	\$ 44	\$ 34	\$ (214)	\$ (18)

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

The PBO and fair value of plan assets for pension plans with a PBO in excess of plan assets at December 31, 2008 and 2007 were as follows:

Millions of dollars	U.S. Pension Benefits		Foreign Pension Benefits	
	2008	2007	2008	2007
PBO	\$ 3,547	\$ 3,580	\$ 275	\$ 280
Fair value of plan assets	2,212	3,062	85	55

The PBO, ABO and fair value of plan assets for pension plans with an ABO in excess of plan assets at December 31, 2008 and 2007 were as follows:

Millions of dollars	U.S. Pension Benefits		Foreign Pension Benefits	
	2008	2007	2008	2007
PBO	\$ 3,547	\$ 3,580	\$ 213	\$ 274
ABO	3,537	3,559	204	259
Fair value of plan assets	2,212	3,062	27	50

Change in Benefit Obligation

Millions of dollars	U.S. Pension Benefits		Foreign Pension Benefits		Other Postretirement Benefits	
	2008	2007	2008	2007	2008	2007
Benefit obligation, beginning of year	\$ 3,580	\$ 3,777	\$ 393	\$ 360	\$ 1,151	\$ 1,304
Service cost	14	25	7	7	21	22
Interest cost	211	215	22	19	66	73
Plan participants' contributions			2	2	18	16
Actuarial (gain)/loss	52	(19)	(3)	(23)	(56)	(80)
Gross benefits paid	(305)	(381)	(30)	(26)	(113)	(112)
less: federal subsidy on benefits paid					5	5
Plan amendments	1	(37)			(182)	(82)
Acquisitions/divestitures				(1)		
New plans			9	23		1
Curtailments			(17)			
Settlements	(6)		(1)	(1)		
Foreign currency exchange rates			(40)	33	(6)	4
Benefit obligation, end of year	\$ 3,547	\$ 3,580	\$ 342	\$ 393	\$ 904	\$ 1,151
ABO, end of year	\$ 3,537	\$ 3,559	\$ 326	\$ 374	\$	\$

Weighted-Average Assumptions Used to Determine Benefit Obligation at End of Year

	U.S. Pension Benefits		Foreign Pension Benefits		Other Postretirement Benefits	
	2008	2007	2008	2007	2008	2007
Discount rate	6.05%	6.15%	1.5-13.2%	3.5-11.3%	5.95%	6.05%
Rate of compensation increase	4.5%	4.5/3.0%	2.0-7.1%	2.0-7.1%		
Health care cost trend rate						

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Initial rate	8.00%	8.50%
Ultimate rate	5.00%	5.00%
Years to ultimate	6	7

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Change in Plan Assets

Millions of dollars	U.S. Pension Benefits		Foreign Pension Benefits		Other Postretirement Benefits	
	2008	2007	2008	2007	2008	2007
Fair value of plan assets, beginning of year	\$ 3,062	\$ 3,146	\$ 180	\$ 137	\$	\$
Actual return on plan assets	(633)	222	(15)	(3)		
Employer contribution	94	75	32	25	95	96
Plan participants' contributions			2	2	18	16
Gross benefits paid	(305)	(381)	(30)	(26)	(113)	(112)
Acquisitions/divestitures						
New plans			9	31		
Settlements	(6)		(1)			
Foreign currency exchange rates			(21)	14		
Fair value of plan assets, end of year	\$ 2,212	\$ 3,062	\$ 156	\$ 180	\$	\$

U.S. Pension Plan Asset Allocation

Millions of dollars Asset Category	Target Allocation	Percentage of Plan Assets	
	2009	2008	2007
Equity securities	60%	53%	64%
Debt securities	40	47	36
Total	100%	100%	100%

In the U.S., the expected rate of return on plan assets was determined by using the historical asset returns for publicly traded equity and fixed income securities tracked from 1927 through 2008 and the historical returns for private equity. The historical equity returns were adjusted downward to reflect future expectations. This adjustment was based on published academic research. The expected returns are weighted by the targeted asset allocations. The resulting weighted-average return was rounded to the nearest quarter of one percent.

Foreign Pension Plan Asset Allocation

Millions of dollars Asset Category	Target Allocation	Percentage of Plan Assets	
	2009	2008	2007
Equity securities	33%	33%	41%
Debt securities	50	52	50
Other	17	15	9
Total	100%	100%	100%

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For foreign pension plans, the expected rate of return on plan assets was determined by observing historical returns in the local fixed income and equity markets and computing the weighted average returns with the weights being the asset allocation of each plan.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Components of Net Periodic Benefit Cost

Millions of dollars	U.S. Pension Benefits			Foreign Pension Benefits			Other Postretirement Benefits		
	2008	2007	2006	2008	2007	2006	2008	2007	2006
Service cost	\$ 14	\$ 25	\$ 82	\$ 7	\$ 7	\$ 12	\$ 21	\$ 22	\$ 21
Interest cost	211	215	197	22	19	18	66	73	66
Expected return on plan assets	(240)	(251)	(224)	(11)	(10)	(8)			
Amortization:									
Actuarial loss/(gain)	12	16	26	1	1	1	1	4	13
Prior service cost/(credit)		5	9	1	1	1	(25)	(13)	(8)
Transition obligation							1		
Curtailed loss/(gain)	1	14	6	(7)		(5)	(17)		
Settlement loss	2								
One-time benefit (credit)/charge for new plan						(8)		1	
Net periodic benefit cost	\$	\$ 24	\$ 96	\$ 13	\$ 10	\$ 20	\$ 46	\$ 87	\$ 92

During 2008, we recognized a curtailment gain of \$7 million related to the conversion of our Mexico defined benefit plan to a defined contribution plan. Additionally, we recognized a curtailment gain of \$17 million in our U.S. postretirement health care plan as a result of the reduction in force announced on October 27, 2008. See Note 11 for additional information regarding our restructuring initiatives.

During 2007 and 2006 we recognized curtailment losses of \$14 million and \$6 million, respectively, related to amendments to cease all benefit accruals in our WPERPs for Fort Smith and LaVergne. Additionally, as a result of a change in law in Italy, we recognized a curtailment gain of \$5 million in 2006.

We acquired Maytag on March 31, 2006, and the pension and postretirement net periodic cost has been reflected from that date forward.

Other Changes in Plan Assets and Benefit Obligations Recognized in Other Comprehensive Income (Pre-Tax) in 2008

Millions of dollars	U.S. Pension Benefits	Foreign Pension Benefits	Other Postretirement Benefits
Curtailed effects	\$ (1)	\$ (9)	\$ 17
Settlements	(2)		
Current year actuarial loss/(gain)	926	21	(55)
Amortization of actuarial loss	(12)	(1)	(1)
Current year prior service cost/(credit)	1		(182)
Amortization of prior service (cost)/credit		(1)	25
Amortization of transition obligation/(asset)			
Total recognized in other comprehensive income (pre-tax)	\$ 912	\$ 10	\$ (196)
Total recognized in net periodic benefit costs and other comprehensive income (pre-tax)	\$ 912	\$ 23	\$ (150)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Weighted-Average Assumptions Used to Determine Net Periodic Cost

	U.S. Pension Benefits			Foreign Pension Benefits			Other Postretirement Benefits		
	2008	2007	2006	2008	2007	2006	2008	2007	2006
Discount rate	6.15%	5.85%	5.60/6.05%	3.50-11.30%	3.00-11.30%	4.00-11.30%	6.05/6.55%	5.75/6.15%	5.50/6.00%
Expected long-term rate of return on plan assets	8.25%	8.50%	8.50%	4.50-11.30%	4.50-11.30%	4.50-11.30%			
Rate of compensation increase	4.50/3.00%	4.50/3.00%	4.50%	2.00-7.10%	2.00-7.10%	2.50-7.10%			
Health care cost trend rate									
Initial rate							8.50%	9.00%	9.00%
Ultimate rate							5.00%	5.00%	5.00%
Years to ultimate								7	4

Additional Information

Estimated Pre-Tax Amounts that will be amortized from Accumulated Other Comprehensive Income into Net Period Pension Cost in 2009

Millions of dollars	U.S. Pension Benefits	Foreign Pension Benefits	Other Postretirement Benefits
Actuarial (gain)/loss	\$ 32	\$ 3	\$ (33)
Prior service (credit)/cost			(33)
Total	\$ 32	\$ 3	\$ (33)

Estimated impact of one percentage-point change in assumed health care cost trend rate

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A one percentage point change in assumed health care cost trend rates would have the following effects:

Millions of dollars	One Percentage Point Increase	One Percentage Point Decrease
Effect on total of service and interest cost	\$ 5	\$ (5)
Effect on postretirement benefit obligations	54	(50)

Funding Policy

Our funding policy is to contribute to our U.S. pension plans amounts sufficient to meet the minimum funding requirement as defined by employee benefit and tax laws, plus additional amounts which we may determine to be appropriate. In certain countries other than the U.S., the funding of pension plans is not common practice. We have several unfunded non-U.S. pension plans. We pay for retiree medical benefits as they are incurred.

Expected Employer Contributions to Funded Plans

Millions of dollars	U.S. Pension Benefits	Foreign Pension Benefits
2009	\$ 80	\$ 13

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

The \$80 million expected to be contributed to the U.S. pension plans during 2009 represents required contributions to our funded U.S. pension plans.

The \$13 million expected to be contributed to the foreign pension plans during 2009 represents contributions to our funded foreign pension plans.

Expected Benefit Payments

Millions of dollars	U.S. Pension Benefits	Foreign Pension Benefits	Other Postretirement Benefits	
			Gross	Expected Federal Subsidy
2009	\$ 318	\$ 18	\$ 85	\$ (3)
2010	264	18	88	(3)
2011	260	20	90	(3)
2012	258	22	88	(4)
2013	257	23	85	(4)
2014-2018	1,290	127	385	(23)

(14) BUSINESS SEGMENT INFORMATION

Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated on a regular basis by the chief operating decision maker, or decision making group, in deciding how to allocate resources to an individual segment and in assessing performance.

We identify such segments based upon geographical regions of operations because each operating segment manufactures home appliances and related components, but serves strategically different markets. The chief operating decision maker evaluates performance based upon each segment's operating income, which is defined as income before interest and sundry income (expense), interest expense, income taxes, minority interests and restructuring costs. Total assets by segment are those assets directly associated with the respective operating activities. The Other/Eliminations column primarily includes corporate expenses, assets and eliminations as well as all other restructuring and discontinued operations. Intersegment sales are eliminated within each region with the exception of compressor sales out of Latin America, which are included in Other/Eliminations.

Sales activity with Sears, a North American major home appliance retailer, represented 11%, 12% and 14% of consolidated net sales in 2008, 2007, and 2006, respectively. Related receivables were 13% and 16% of consolidated trade receivables as of December 31, 2008 and 2007, respectively.

We conduct business in two countries that individually comprised over 10% of consolidated net sales and/or total assets within the last three years. The United States represented 48%, 53%, 63% of net sales for 2008, 2007, and 2006, respectively, while Brazil totaled 16%, 12%, 9% for 2008, 2007, and 2006, respectively. As a percentage of total assets, the United States accounted for 51%, and 51% at the end of 2008 and 2007, respectively. Brazil accounted for 10% and 15% of total assets at the end of 2008 and 2007, respectively.

As described above, our chief operating decision maker reviews each operating segment's performance based upon operating income which excludes restructuring costs. These restructuring costs are included in operating profit on a consolidated basis and included in the Other/Eliminations column in the tables below. For 2008, the operating segments recorded total restructuring costs (See Note 11) as follows: North America \$56 million, Europe \$78 million, Latin America \$7 million, Asia \$2 million and Corporate \$6 million, for a total of \$149 million. For 2007, the operating segments recorded total restructuring costs (See Note 11) as follows: North America \$13 million, Europe \$28 million and Latin America \$20 million, for a total of \$61

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

million. For 2006, the operating segments recorded total restructuring costs as follows: North America \$18 million, Europe \$23 million, Latin America \$7 million and Asia \$7 million, for a total of \$55 million.

Millions of dollars	GEOGRAPHIC SEGMENTS					Total Whirlpool
	North America	Europe	Latin America	Asia	Other/ Eliminations	
Net sales						
2008	\$ 10,781	\$ 4,016	\$ 3,704	\$ 593	\$ (187)	\$ 18,907
2007	11,735	3,848	3,437	557	(169)	19,408
2006	11,642	3,432	2,692	457	(143)	18,080
Intersegment sales						
2008	\$ 148	\$ 336	\$ 219	\$ 161	\$ (864)	\$
2007	171	504	169	220	(1,064)	
2006	64	494	141	231	(930)	
Depreciation and amortization						
2008	\$ 329	\$ 131	\$ 96	\$ 22	\$ 19	\$ 597
2007	352	115	84	22	20	593
2006	332	105	72	21	20	550
Operating profit (loss)						
2008	\$ 199	\$ 149	\$ 478	\$ 10	\$ (287)	\$ 549
2007	646	246	438	(6)	(261)	1,063
2006	667	192	237	(11)	(262)	823
Total assets						
2008	\$ 8,038	\$ 3,592	\$ 2,094	\$ 639	\$ (831)	\$ 13,532
2007	8,107	3,394	2,615	689	(796)	14,009
2006	8,449	3,001	2,037	603	(331)	13,759
Capital expenditures						
2008	\$ 253	\$ 156	\$ 100	\$ 21	\$ 17	\$ 547
2007	251	144	110	20	11	536
2006	320	129	92	23	12	576

(15) QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

Millions of dollars, except per share data	Dec. 31	Three months ended			Mar. 31
		Sept. 30	Jun. 30	Mar. 31	
2008:					
Net sales	\$ 4,315	\$ 4,902	\$ 5,076	\$ 4,614	
Cost of products sold	3,842	4,217	4,324	4,000	
Net earnings available to common stockholders	44	163	117	94	
Per share of common stock:					
Basic net earnings	0.60	2.18	1.55	1.23	
Diluted net earnings	0.60	2.15	1.53	1.22	
Dividends	0.43	0.43	0.43	0.43	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Millions of dollars, except per share data	Dec. 31	Three months ended		Mar. 31
		Sept. 30	Jun. 30	
2007:				
Net sales	\$ 5,325	\$ 4,840	\$ 4,854	\$ 4,389
Cost of products sold	4,487	4,148	4,121	3,761
Net earnings available to common stockholders	187	175	161	117
Per share of common stock:				
Basic net earnings	2.42	2.24	2.04	1.48
Diluted net earnings	2.38	2.20	2.00	1.46
Dividends	0.43	0.43	0.43	0.43

The quarterly earnings per share amounts will not necessarily add to the earnings per share computed for the year due to the method used in calculating per share data.

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FIVE-YEAR SELECTED FINANCIAL DATA

(Millions of dollars, except share and employee data)	2008	2007	2006	2005	2004
<u>CONSOLIDATED OPERATIONS</u>					
Net sales	\$ 18,907	\$ 19,408	\$ 18,080	\$ 14,317	\$ 13,220
Operating profit ⁽¹⁾	549	1,063	823	792	758
Earnings from continuing operations before income taxes and other items	246	804	619	597	616
Earnings from continuing operations	418	647	486	422	406
Loss from discontinued operations ⁽²⁾		(7)	(53)		
Net earnings available to common stockholders	418	640	433	422	406
Net capital expenditures	547	536	576	494	511
Depreciation	569	562	520	440	443
Dividends	128	134	130	116	116
<u>CONSOLIDATED FINANCIAL POSITION</u>					
Current assets	\$ 6,044	\$ 6,555	\$ 6,517	\$ 4,763	\$ 4,514
Current liabilities	5,563	5,893	6,043	4,354	3,985
Working capital	481	662	474	409	529
Property, plant and equipment-net	2,985	3,212	3,157	2,511	2,583
Total assets	13,532	14,009	13,759	8,301	8,181
Long-term debt	2,002	1,668	1,798	745	1,160
Stockholders' equity	3,006	3,911	3,283	1,745	1,606
<u>PER SHARE DATA</u>					
Basic earnings from continuing operations before accounting change	\$ 5.57	\$ 8.24	\$ 6.47	\$ 6.30	\$ 6.02
Diluted earnings from continuing operations before accounting change	5.50	8.10	6.35	6.19	5.90
Diluted net earnings	5.50	8.01	5.67	6.19	5.90
Dividends	1.72	1.72	1.72	1.72	1.72
Book value	39.54	48.96	42.93	25.54	23.31
Closing Stock Price NYSE	41.35	81.63	83.02	83.76	69.21
<u>KEY RATIOS</u>					
Operating profit margin	2.9%	5.5%	4.6%	5.5%	5.7%
Pre-tax margin ⁽³⁾	1.3%	4.1%	3.4%	4.2%	4.7%
Net margin ⁽⁴⁾	2.2%	3.3%	2.7%	2.9%	3.1%
Return on average stockholders' equity ⁽⁵⁾	10.7%	18.1%	15.7%	24.6%	30.3%
Return on average total assets ⁽⁶⁾	3.0%	4.6%	3.9%	5.1%	5.2%
Current assets to current liabilities	1.1	1.1	1.1	1.1	1.1
Total debt-appliance business as a percent of invested capital ⁽⁷⁾	46.0%	34.5%	41.2%	40.4%	45.7%
Price earnings ratio	7.5	10.2	14.6	13.5	11.7
<u>OTHER DATA</u>					
Number of common shares outstanding (in thousands):					
Average on a diluted basis	76,019	79,880	76,471	68,272	68,902
Year-end	73,536	75,835	78,484	67,880	66,604
Number of stockholders (year-end)	14,515	15,011	15,311	7,442	7,826
Number of employees (year-end)	69,612	73,682	73,416	65,682	68,125
Total return to shareholders (five year annualized) ⁽⁸⁾	(8.5)%	11.8%	4.9%	14.5%	3.7%

(1) Restructuring charges were \$149 million in 2008, \$61 million in 2007, \$55 million in 2006, \$57 million in 2005 and \$15 million in 2004.

(2) Our earnings from continuing operations exclude certain dispositions adjacent to the Maytag acquisition.

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- (3) Earnings from continuing operations before income taxes and other items, as a percent of sales.
- (4) Earnings from continuing operations, as a percent of sales.
- (5) Net earnings (loss), divided by average stockholders' equity.
- (6) Net earnings (loss), divided by average total assets.
- (7) Debt divided by debt, stockholders' equity and minority interests.
- (8) Stock appreciation plus reinvested dividends.

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Report by Management on the Consolidated Financial Statements

The management of Whirlpool Corporation has prepared the accompanying financial statements. The financial statements have been audited by Ernst & Young LLP, an independent registered public accounting firm, whose report, based upon their audits, expresses the opinion that these financial statements present fairly the consolidated financial position, statements of income and cash flows of Whirlpool and its subsidiaries in accordance with accounting principles generally accepted in the United States. Their audits are conducted in conformity with the auditing standards of the Public Company Accounting Oversight Board (United States).

The financial statements were prepared from the Company's accounting records, books and accounts which, in reasonable detail, accurately and fairly reflect all material transactions. The Company maintains a system of internal controls designed to provide reasonable assurance that the Company's books and records, and the Company's assets are maintained and accounted for, in accordance with management's authorizations. The Company's accounting records, policies and internal controls are regularly reviewed by an internal audit staff.

The audit committee of the Board of Directors of the Company is composed of five independent directors who, in the opinion of the board, meet the relevant financial experience, literacy, and expertise requirements. The audit committee provides independent and objective oversight of the Company's accounting functions and internal controls and monitors (1) the objectivity of the Company's financial statements, (2) the Company's compliance with legal and regulatory requirements, (3) the independent registered public accounting firm's qualifications and independence, and (4) the performance of the Company's internal audit function and independent registered public accounting firm. In performing these functions, the committee has the responsibility to review and discuss the annual audited financial statements and quarterly financial statements and related reports with management and the independent registered public accounting firm, including the Company's disclosures under Management's Discussion and Analysis of Financial Condition and Results of Operations, to monitor the adequacy of financial disclosure. The committee also has the responsibility to retain and terminate the Company's independent registered public accounting firm and exercise the committee's sole authority to review and approve all audit engagement fees and terms and pre-approve the nature, extent, and cost of all non-audit services provided by the independent registered public accounting firm.

/s/ ROY W. TEMPLIN
Roy W. Templin
Executive Vice President and Chief Financial Officer
February 19, 2009

Management's Report on Internal Control Over Financial Reporting

The management of Whirlpool Corporation is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934. Whirlpool's internal control system is designed to provide reasonable assurance to Whirlpool's management and board of directors regarding the reliability of financial reporting and the preparation and fair presentation of published financial statements.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

The management of Whirlpool assessed the effectiveness of Whirlpool's internal control over financial reporting as of December 31, 2008. In making this assessment, it used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control - Integrated Framework*. Based on our assessment and those criteria, management believes that Whirlpool maintained effective internal control over financial reporting as of December 31, 2008.

Whirlpool's independent registered public accounting firm has issued an audit report on its assessment of Whirlpool's internal control over financial reporting. This report appears on page F-59.

/s/ JEFF M. FETTIG
Jeff M. Fettig
Chairman of the Board and
Chief Executive Officer

February 19, 2009

/s/ ROY W. TEMPLIN
Roy W. Templin
Executive Vice President and
Chief Financial Officer

February 19, 2009

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Report of Independent Registered Public Accounting Firm

The Stockholders and Board of Directors

Whirlpool Corporation

Benton Harbor, Michigan

We have audited the accompanying consolidated balance sheets of Whirlpool Corporation as of December 31, 2008 and 2007, and the related consolidated statements of income, changes in stockholders' equity and cash flows for each of the three years in the period ended December 31, 2008. Our audits also included the financial statement schedule listed in the index at Item 15(a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Whirlpool Corporation at December 31, 2008 and 2007, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2008, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

As described in Note 12 of the notes to the consolidated financial statements, effective January 1, 2007, the Company adopted FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109, Accounting for Income Taxes. As described in Note 13 to the consolidated financial statements, effective December 31, 2006, the Company adopted FASB Statement No. 158, Employer's Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment to FASB Statements No. 87, 88, 106, and 132(R).

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Whirlpool Corporation's internal control over financial reporting as of December 31, 2008, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 19, 2009 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP

Chicago, Illinois

February 19, 2009

Report of Independent Registered Public Accounting Firm

The Stockholders and Board of Directors

Whirlpool Corporation

Benton Harbor, Michigan

We have audited Whirlpool Corporation's internal control over financial reporting as of December 31, 2008, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Whirlpool Corporation's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Whirlpool Corporation maintained, in all material respects, effective internal control over financial reporting as of December 31, 2008, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Whirlpool Corporation as of December 31, 2008 and 2007, and the related consolidated statements of income, changes in stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2008 of Whirlpool Corporation and our report dated February 19, 2009 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP

Chicago, Illinois

February 19, 2009

SCHEDULE II VALUATION AND QUALIFYING ACCOUNTS
WHIRLPOOL CORPORATION AND SUBSIDIARIES**Years Ended December 31, 2008, 2007 and 2006****(millions of dollars)**

COL. A Description	COL. B Balance at Beginning of Period	COL. C ADDITIONS		COL. D Deductions Describe	COL. E Balance at E of Period
		(1) Charged to C	(2) Charged to Other		
		Expenses	Accounts / Other		
Year Ended December 31, 2008:					
Allowance for doubtful accounts receivables	\$ 83	\$ 29	\$	\$ (46) A	\$ 66
Year Ended December 31, 2007:					
Allowance for doubtful accounts receivables	84	19		(20) A	83
Year Ended December 31, 2006:					
Allowance for doubtful accounts receivables	76	19	14 B	(25) A	84

Note A The amounts represent accounts charged off, less recoveries of \$0 in 2008, \$0 in 2007, and \$0 in 2006, translation adjustments and transfers.

Note B The amount represents allowances for doubtful accounts recorded as part of the Maytag acquisition.

ANNUAL REPORT ON FORM 10-K

ITEMS 15(a)(3) and 15(c)

EXHIBIT INDEX

YEAR ENDED DECEMBER 31, 2008

The following exhibits are submitted herewith or incorporated herein by reference in response to Items 15(a)(3) and 15(c). Each exhibit that is considered a management contract or compensatory plan or arrangement required to be filed pursuant to Item 15(a)(3) of Form 10-K is identified by a (Z).

Number and Description of Exhibit

- 2 Agreement and Plan of Merger dated as of August 22, 2005 among Whirlpool Corporation, Whirlpool Acquisition Co. and Maytag Corporation. [Incorporated by reference from Exhibit 2.1 to the Company's Form 8-K filed on August 22, 2005]
- 3(i) Restated Certificate of Incorporation of Whirlpool Corporation. [Incorporated by reference from Exhibit 3(i) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1993]
- 3(ii) By-Laws of Whirlpool Corporation (as amended and restated, effective June 19, 2007). [Incorporated by reference from Exhibit 3.2 to the Company's Form 8-K filed on June 22, 2007]
- 4(i) The registrant hereby agrees to furnish to the Securities and Exchange Commission, upon request, a copy of instruments defining the rights of holders of each issue of long-term debt of the registrant and its subsidiaries.
- 4(ii) Indenture dated as of March 20, 2000 between Whirlpool Corporation and U.S. Bank, National Association (as successor to Citibank, N.A.) [Incorporated by reference from Exhibit 4(a) to the Company's Registration Statement on Form S-3 filed on March 21, 2000]
- 4(iii) Indenture dated as of June 15, 1987 between Maytag Corporation and The First National Bank of Chicago. [Incorporated by reference from Maytag Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 1987]
- 4(iv) First Supplemental Indenture dated as of September 1, 1989 between Maytag Corporation and The First National Bank of Chicago. [Incorporated by reference from Exhibit 4.3 to Maytag Corporation's Form 8-K dated September 28, 1989]
- 4(v) Ninth Supplemental Indenture dated as of October 30, 2001 between Maytag Corporation and Bank One, National Association. [Incorporated by reference from Exhibit 4.1 to Maytag Corporation's Form 8-K filed on October 31, 2001]
- 10(iii)(a) Amended and Restated Long-Term Five-Year Credit Agreement dated as of December 1, 2005 among Whirlpool Corporation, Whirlpool Europe B.V., Whirlpool Finance B.V., Certain Financial Institutions and Citibank, N.A., as Administrative Agent and Fronting Agent and JPMorgan Chase Bank, N.A., as Syndication Agent, ABN AMRO Bank N.V., The Royal Bank of Scotland PLC and Bank of America, N.A., as Documentation Agents, Citigroup Global Markets Inc. and J.P. Morgan Securities Inc., Lead Arrangers and Joint Bookrunners. [Incorporated by reference from Exhibit 10.1 to the Company's Form 8-K filed on December 6, 2005]
- 10(iii)(b) Whirlpool Corporation Nonemployee Director Stock Ownership Plan (amended as of February 16, 1999, effective April 20, 1999). (Z) [Incorporated by reference from Exhibit A to the Company's Proxy Statement for the 1999 annual meeting of stockholders]
- 10(iii)(c) Whirlpool Corporation Charitable Award Contribution and Additional Life Insurance Plan for Directors (effective April 20, 1993). (Z) [Incorporated by reference from Exhibit 10(iii)(p) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1994]
- 10(iii)(d) Whirlpool Corporation Deferred Compensation Plan for Directors (as amended effective January 1, 1992 and April 20, 1993). (Z) [Incorporated by reference from Exhibit 10(iii)(f) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1993]

Number and Description of Exhibit

- 10(iii)(e) Whirlpool Corporation Deferred Compensation Plan II for Non-Employee Directors (as amended and restated, effective January 1, 2009). (Z)
- 10(iii)(f) Whirlpool Corporation Nonemployee Director Equity Plan (effective January 1, 2005). (Z) [Incorporated by reference from Exhibit 99.1 to the Company's Form 8-K filed on April 21, 2005]
- 10(iii)(g) Amendment of the Whirlpool Corporation Nonemployee Director Equity Plan (effective January 1, 2008). (Z) [Incorporated by reference to Exhibit 10(iii)(a) to the Company's Form 10-Q filed on April 24, 2008]
- 10(iii)(h) Nonemployee Director Stock Option Form of Agreement. (Z) [Incorporated by reference from Exhibit 10(iii)(b) to the Company's Form 10-Q filed on April 24, 2008]
- 10(iii)(i) Whirlpool Corporation 1996 Omnibus Stock and Incentive Plan (as amended, effective February 16, 1999). (Z) [Incorporated by reference from Exhibit 10(iii)(r) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1999]
- 10(iii)(j) Whirlpool Corporation 1998 Omnibus Stock and Incentive Plan (as amended, effective February 16, 1999). (Z) [Incorporated by reference from Exhibit 10(iii)(s) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1999]
- 10(iii)(k) Whirlpool Corporation 2000 Omnibus Stock and Incentive Plan (effective January 1, 2000). (Z) [Incorporated by reference from Exhibit A to the Company's Proxy Statement for the 2000 annual meeting of stockholders]
- 10(iii)(l) Whirlpool Corporation 2002 Omnibus Stock and Incentive Plan (effective January 1, 2002). (Z) [Incorporated by reference from Exhibit A to the Company's Proxy Statement for the 2002 annual meeting of stockholders]
- 10(iii)(m) Whirlpool Corporation 2007 Omnibus Stock and Incentive Plan (effective January 1, 2007). (Z) [Incorporated by reference from Annex A to the Company's Proxy Statement for the 2007 annual meeting of stockholders]
- 10(iii)(n) Omnibus Equity Plans 409A Amendment (effective December 19, 2008). (Z)
- 10(iii)(o) Form of Agreement for the Whirlpool Corporation Career Stock Grant Program (pursuant to one or more of Whirlpool's Omnibus Stock and Incentive Plans). (Z) [Incorporated by reference from Exhibit 10(iii)(q) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1995]
- 10(iii)(p) Form of Amendment to Whirlpool Corporation Career Stock Grant Agreement. (Z)
- 10(iii)(q) Form of Stock Option Grant Document for the Whirlpool Corporation Stock Option Program (pursuant to one or more of Whirlpool's Omnibus Stock and Incentive Plans)(Rev. 02/17/04). (Z) [Incorporated by reference from Exhibit 10(i) to the Company's Form 8-K filed on January 25, 2005]
- 10(iii)(r) Administrative Guidelines for the Whirlpool Corporation Special Retention Program (pursuant to one or more of Whirlpool's Omnibus Stock and Incentive Plans). (Z) [Incorporated by reference from Exhibit 10(iii)(w) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2001]
- 10(iii)(s) Addendum to Whirlpool Corporation Special Retention Program Features (effective January 1, 2005). (Z)
- 10(iii)(t) Form of Whirlpool Corporation Strategic Excellence Program Grant Document (pursuant to one or more of Whirlpool's Omnibus Stock and Incentive Plans)(Rev. 02/17/04). (Z) [Incorporated by reference from Exhibit 10(ii) to the Company's Form 8-K filed on January 25, 2005]
- 10(iii)(u) Form of Compensation and Benefits Assurance Agreements (as amended and restated, effective December 31, 2008). (Z)

Number and Description of Exhibit

10(iii)(v)	Whirlpool Corporation Performance Excellence Plan. (Z) [Incorporated by reference from Exhibit A to the Company's Proxy Statement for the 2004 annual meeting of stockholders]
10(iii)(w)	Amendment to Whirlpool Corporation Performance Excellence Plan (as amended effective January 1, 2005). (Z)
10(iii)(x)	Whirlpool Corporation Executive Deferred Savings Plan (as amended effective January 1, 1992). (Z) [Incorporated by reference from Exhibit 10(iii)(n) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1993]
10(iii)(y)	Whirlpool Corporation Executive Deferred Savings Plan II (as amended and restated, effective January 1, 2009), including Supplement A, Whirlpool Executive Restoration Plan (as amended and restated, effective January 1, 2009). (Z)
10(iii)(z)	Whirlpool Corporation Executive Officer Bonus Plan (effective January 1, 1994). (Z) [Incorporated by reference from Exhibit 10(iii)(o) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1994]
10(iii)(aa)	Amendment to Whirlpool Corporation Executive Officer Bonus Plan (effective January 1, 2009). (Z)
10(iii)(bb)	Whirlpool Corporation Key Employee Treasury Stock Ownership Plan (effective October 16, 2001). (Z) [Incorporated by reference from Exhibit 10(iii)(u) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2001]
10(iii)(cc)	Employment Agreement with Paulo F.M.O. Periquito, dated January 1, 1998. (Z) [Incorporated by reference from Exhibit 10 to the Company's Form 10-Q for the period ended March 31, 1998]
10(iii)(dd)	Whirlpool Retirement Benefits Restoration Plan (as amended and restated effective January 1, 2009). (Z)
10(iii)(ee)	Whirlpool Supplemental Executive Retirement Plan (as amended and restated, effective January 1, 2009). (Z)
10(iii)(ff)	Whirlpool Corporation Form of Indemnity Agreement. (Z) [Incorporated by reference from Exhibit 10.1 to the Company's Form 8-K filed on February 23, 2006]
10(iii)(gg)	Selling Agency Agreement dated February 25, 2008 among Whirlpool, Banc of America Securities LLC and Greenwich Capital Markets, Inc., as representatives of the several underwriters named therein. [Incorporated by reference from Exhibit 1.1 to the Company's Form 8-K filed on February 28, 2008]
12	Ratio of Earnings to Fixed Charges
21	List of Subsidiaries
23	Consent of Independent Registered Public Accounting Firm
24	Power of Attorney
31(a)	Certification of Chief Executive Officer, Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31(b)	Certification of Chief Financial Officer, Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32	Certifications Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002