

INNOVO GROUP INC
Form 8-K
December 26, 2006

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, DC 20549

FORM 8-K

**CURRENT REPORT PURSUANT
TO SECTION 13 OR 15(D) OF THE
SECURITIES EXCHANGE ACT OF 1934**

Date of report (Date of earliest event reported): **December 25, 2006 (December 19, 2006)**

Innovo Group Inc.

(Exact Name of Registrant as Specified in Its Charter)

Delaware

(State or Other Jurisdiction of Incorporation)

0-18926

(Commission File Number)

11-2928178

(IRS Employer Identification No.)

5901 South Eastern Avenue, Commerce, California

(Address of Principal Executive Offices)

90040

(Zip Code)

(323) 837-3700

(Registrant's Telephone Number, Including Area Code)

N/A

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (*see* General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

ITEM 1.01 ENTRY INTO A MATERIAL DEFINITIVE AGREEMENT

On December 19, 2006, Innovo Group Inc. (the Company) entered into a private placement to certain Accredited Investors, as defined in Regulation D promulgated under the Securities Act of 1933, as amended (the Investors and Securities Act) of (i) 6,834,347 shares of its common stock at a purchase price of \$0.53 per share; and (ii) warrants to purchase an additional 2,050,304 shares of its common stock at an exercise price of \$0.58 per share. Aggregate gross proceeds to the Company are approximately \$3,622,000 initially and approximately \$4,811,000 assuming the full exercise of all of the warrants issued in connection with the private placement. The Company intends to use the proceeds solely for general working capital purposes.

In connection with the private placement, each of the Investors entered into identical Securities Purchase Agreements (the Agreement) and Warrants to Purchase Shares of Common Stock (the Warrant) with the Company which include customary representations, warranties and indemnification provisions. The Agreement further provides the Investors with certain registration rights whereby the Company agreed to prepare and file with the Securities and Exchange Commission (SEC) a registration statement for the resale of the shares and the shares underlying the Warrants within 60 days from the closing date. Under the Agreement, the Company granted to the Investors certain preemptive rights to participate in future offerings, as well as certain rights to future payments in the event of certain future issuances of convertible debt, equity, warrants or options at less than the exercise price of the Warrants.

The Warrants issued in connection with the private placement have a term of 5 years and are first exercisable on June 18, 2007. The Warrants also contain a cashless or net-share exercise feature whereby the Investor can elect to receive an amount of shares less than number of shares equal in market value to the aggregate exercise price.

Each Investor represented to the Company that they are an Accredited Investor, as that term is defined in Rule 501(a) of Regulation D under the Securities Act. The common stock and warrants were offered and sold to each Investor in reliance upon an exemption from registration under Rule 506 of Regulation D the Securities Act.

The foregoing matters are further described in a press release issued by the Company on December 20, 2006, a copy of which is filed herewith as Exhibit 99.1 and incorporated herein by reference. The preceding descriptions of the Agreement and Warrant are summaries of the material terms of the agreements and do not purport to be complete, and are qualified in their entirety by the copy of the agreement which are filed herewith as Exhibit 4.1 and 4.2 respectively and incorporated herein by reference.

As a result of the completion of this transaction and the issuance of 6,834,347 shares of common stock, the Company believes that its stockholder's equity is at or above \$5 million as of the date hereof.

ITEM 3.02 UNREGISTERED SALES OF EQUITY SECURITIES

Please see the disclosure in Item 1.01 above incorporated herein by reference for the required disclosure under Item 3.02.

ITEM 9.01 Financial Statements and Exhibits

(d) Exhibits.

Exhibit Number	Description
4.1	Form of Securities Purchase Agreement
4.2	Form of Warrant to Purchase Shares of Common Stock
99.1	Press Release dated December 20, 2006

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

INNOVO GROUP INC.
(Registrant)

Date: December 25, 2006

By: /s/ Marc Crossman
Marc Crossman

Chief Executive Officer, President, Chief
Financial Officer and Director
(Principal Executive Officer and Principal
Financial Officer)

Exhibit Index

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