

Edgar Filing: INNOVATION HOLDINGS - Form 10QSB

INNOVATION HOLDINGS
Form 10QSB
December 29, 2003

U.S. SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549
FORM 10-QSB

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September, 2003

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT

For the transition period from _____ to _____.

Commission File No.: 000-27777

Innovation Holdings, Inc. f/k/a Blagman Media International, Inc.

(Exact name of Registrant as specified in its Charter)

Nevada

91-192-3501

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification Number)

14622 Ventura Blvd., Suite 1015
Sherman Oaks, CA

91403

(Address of Principal Executive Offices)

(Zip Code)

Registrant's telephone number, including area code: 310.788.5444

Securities registered pursuant to Section 12(b) of the Act:
NONE

Securities registered pursuant to Section 12(G) of the Act:
COMMON STOCK -- \$.001 PAR VALUE

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES NO

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: 10,356,047,473 shares of common stock as of September 2003.

Transitional Small Business Disclosure Format (check one): YES NO

TABLE OF CONTENTS

Edgar Filing: INNOVATION HOLDINGS - Form 10QSB

	PAGE
PART I - FINANCIAL INFORMATION	
ITEM 1. FINANCIAL STATEMENTS	3
CONDENSED Consolidated Balance Sheet As Of SEPTEMBER 30, 2003 (Unaudited)	5
CONDENSED CONSOLIDATED Statements Of Operations For The Three AND NINE Months Ended SEPTEMBER 30, 2003 And 2002 (Unaudited)	6
CONDENSED CONSOLIDATED Statements Of Cash Flows For The NINE Months Ended SEPTEMBER 30, 2003 And 2002 (Unaudited)	7
Notes To CONDENSED CONSOLIDATED Financial Statements As Of SEPTEMBER 30, 2003 (Unaudited)	9
ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATIONS	18
ITEM 3. CONTROLS AND PROCEDURES	23
PART II - OTHER INFORMATION	23
ITEM 1. LEGAL PROCEEDINGS	23
ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS	24
ITEM 3. DEFAULTS UPON SENIOR SECURITIES	24
ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS	24
ITEM 5. OTHER INFORMATION	24
ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K	24
SIGNATURES	25
CERTIFICATIONS	26

INNOVATION HOLDINGS, INC.
AND SUBSIDIARIES
(FORMERLY BLAGMAN MEDIA
INTERNATIONAL, INC.)
CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
AS OF SEPTEMBER 30, 2003

Edgar Filing: INNOVATION HOLDINGS - Form 10QSB

INNOVATION HOLDINGS, INC. AND SUBSIDIARIES
(FORMERLY BLAGMAN MEDIA INTERNATIONAL, INC.)

CONTENTS

PAGE	1	CONDENSED CONSOLIDATED BALANCE SHEET AS OF SEPTEMBER 30, 2003 (UNAUDITED)
PAGE	2	CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2003 AND 2002 (UNAUDITED)
PAGE	3	CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2003 (UNAUDITED)
PAGE	4	CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2003 AND 2002 (UNAUDITED)
PAGES	5 - 13	NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF SEPTEMBER 30, 2003 (UNAUDITED)

INNOVATION HOLDINGS, INC. AND SUBSIDIARIES
(FORMERLY BLAGMAN MEDIA INTERNATIONAL, INC.)
CONDENSED CONSOLIDATED BALANCE SHEET
AS OF SEPTEMBER 30, 2003

(UNAUDITED)

ASSETS

Current assets		
Cash		\$
Prepaid expenses, media and other current assets		236
Assets related to discontinued operations		9
Total Current Assets		246
PROPERTY & EQUIPMENT - NET		80
OTHER ASSETS		
License agreement		149
TOTAL ASSETS		\$ 476

Edgar Filing: INNOVATION HOLDINGS - Form 10QSB

LIABILITIES AND STOCKHOLDERS' DEFICIENCY

CURRENT LIABILITIES

Notes and loans payable - current portion	\$	352
Accounts payable and accrued expenses		1,877
Accrued compensation - officers		1,766
Due to officer		49
Capital lease obligation - current portion		33
Liabilities related to discontinued operations		10,400

Total Current Liabilities		14,480

LONG-TERM LIABILITIES

Notes and loans payable - long-term portion		445

Total Liabilities

14,926

COMMITMENTS AND CONTINGENCIES

STOCKHOLDERS' DEFICIENCY

Preferred stock, series A, \$.001 par value, super convertible redeemable preferred stock, 10,000,000 shares authorized, 0 shares issued and outstanding		
Preferred stock, series B, \$.001 par value, super convertible redeemable preferred stock, 100 shares authorized, 100 shares issued and outstanding		
Common stock, \$.001 par value, 20,000,000,000 shares authorized 10,356,047,473 shares issued and outstanding		10,356
Additional paid-in capital		30,951
Accumulated deficit		(54,158)
Deferred stock based compensation		(1,599)

Total Stockholders' Deficiency

(14,450)

TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIENCY

\$ 476
=====

INNOVATION HOLDINGS, INC. AND SUBSIDIARIES (FORMERLY BLAGMAN MEDIA INTERNATIONAL, INC.) CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(UNAUDITED)

	For The Three Months Ended September 30, 2003	For The Three Months Ended September 30, 2002
	-----	-----
REVENUES - NET	\$ 5,128	\$ (17,062)
	-----	-----

Edgar Filing: INNOVATION HOLDINGS - Form 10QSB

OPERATING EXPENSES			
Selling, general and administrative		2,098,267	3,380,729
Depreciation		7,113	8,695
		-----	-----
Total Operating Expenses		2,105,380	3,389,424
		-----	-----
LOSS FROM OPERATIONS		(2,100,252)	(3,406,486)
		-----	-----
OTHER INCOME (EXPENSE)			
Interest expense		(10,249)	(12,725)
Interest income		--	28
		-----	-----
Total Other Expense		(10,249)	(12,697)
		-----	-----
LOSS FROM CONTINUING OPERATIONS		(2,110,501)	(3,419,183)
LOSS FROM DISCONTINUED OPERATIONS		--	(9,585,135)
		-----	-----
NET LOSS		\$ (2,110,501)	\$ (13,004,318)
		=====	=====
NET LOSS PER COMMON SHARE - BASIC AND DILUTED - CONTINUING OPERATIONS		\$ (0.00)	\$ (2.40)
		=====	=====
NET LOSS PER COMMON SHARE - BASIC AND DILUTED - DISCONTINUED OPERATIONS		\$ --	\$ (6.70)
		=====	=====
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING - BASIC AND DILUTED		7,230,008,520	1,429,477
		=====	=====

INNOVATION HOLDINGS, INC. AND SUBSIDIARIES
(FORMERLY BLAGMAN MEDIA INTERNATIONAL, INC.)
CONDENSED CONSOLIDATED STATEMENT OF CHANGES ON STOCKHOLDERS' EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2003
(UNAUDITED)

	Preferred Stock Shares	Amount	Common Stock Shares	Amount	Additional Paid-In Capital	Accumu Defi
	-----	-----	-----	-----	-----	-----
Balance, December 31, 2002	100	\$ 1	3,819,639	\$ 3,819	\$35,587,400	\$ (49,0
Stock issued for legal fees	--	--	526,245,000	526,245	458,055	

Edgar Filing: INNOVATION HOLDINGS - Form 10QSB

Stock issued for consulting	--	--	8,176,657,534	8,176,658	(3,905,860)		
Stock issued for wages	--	--	151,270,000	151,270	(69,680)		
Stock issued for Board fees	--	--	631,000	631	219,869		
Stock issued for license fees	--	--	1,494,675,300	1,494,675	(1,345,207)		
Stock issued for settlement of accounts payable	--	--	2,800,000	2,800	25,200		
Stock cancelled in association with Board fees	--	--	(51,000)	(51)	(17,799)		
Deferred stock compensation	--	--	--	--	--		
Amortization of deferred stock compensation	--	--	--	--	--		
Net loss	--	--	--	--	--	(5,1	

BALANCE, SEPTEMBER 30, 2003	100	\$	1	10,356,047,473	\$10,356,047	\$30,951,888	\$ (54,1
=====							

INNOVATION HOLDINGS, INC. AND SUBSIDIARIES
(FORMERLY BLAGMAN MEDIA INTERNATIONAL, INC.)
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

For the Nine
Months Ended
September 30,
2003

CASH FLOWS FROM OPERATING ACTIVITIES:

Net loss from continuing operations	\$ (5,142,441)
Adjustments to reconcile net loss from continuing operations to net cash (used in) provided by operating activities:	
Depreciation and amortization	22,059
Provision for bad debt	75,147
Stock issued for compensation and services	3,939,274
Changes in operating assets and liabilities:	
(Increase) decrease in:	
Accounts receivable	(43,368)
Prepaid expenses, media and other current assets	105,142
Deposits	4,576
Increase (decrease) in:	
Accounts payable and accrued expenses	364,767
Accrued compensation - officers	452,452
Deferred revenue	--

Edgar Filing: INNOVATION HOLDINGS - Form 10QSB

Net Cash (Used In) Provided By Operating Activities	(222,392)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of property and equipment	--
Payment for acquisition, net of cash acquired	--
Net Cash Used In Investing Activities	--
CASH FLOWS FROM FINANCING ACTIVITIES:	
Due to officer	(63,253)
Proceeds from notes and loans payable	302,225
Cash overdraft (decrease) increase	(11,782)
Capital lease obligation	(4,796)
Net Cash Provided By (Used In) Financing Activities	222,394
NET INCREASE (DECREASE) IN CASH	
Cash - beginning of Period	2
Cash - end of Period	\$ 2
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:	
Interest paid	\$ --

SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:

During the period ended September 30, 2003, the Company entered into a license agreement with a value of \$149,468 paid by the issuance of 1,494,675,300 shares of common stock valued at the fair market value of the stock on the date of grant.

During the period ended September 30, 2003, the Company settled \$2,000 of accrued payroll by giving the employee a computer with a net book value of \$2,000.

INNOVATION HOLDINGS, INC. AND SUBSIDIARIES
(FORMERLY BLAGMAN MEDIA INTERNATIONAL, INC.)
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS OF SEPTEMBER 30, 2003

(UNAUDITED)

NOTE 1 BASIS OF PRESENTATION

On February 10, 2003, the stockholders of the Blagman Media International, Inc. approved an amendment to the articles of incorporation to change its name to Innovation Holdings, Inc.

Edgar Filing: INNOVATION HOLDINGS - Form 10QSB

The accompanying unaudited condensed consolidated financial statements include the accounts of Innovation Holdings, Inc. and its subsidiaries (the "Company"). All significant inter-company transactions and balances have been eliminated in consolidation.

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and the rules and regulations of the Securities and Exchange Commission for interim financial information. Accordingly, they do not include all the information necessary for a comprehensive presentation of financial position and results of operations.

It is management's opinion, however, that all material adjustments (consisting of normal recurring adjustments) have been made which are necessary for a fair financial statement presentation. The results for the interim period are not necessarily indicative of the results to be expected for the year.

The accompanying condensed consolidated financial statements and the information included under the heading "Management's Discussion and Analysis or Plan of Operation" should be read in conjunction with the Company's Annual Report Form 10-KSB for the year ended December 31, 2002, filed on May 16, 2003.

In preparing financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reported period. Actual results could differ from those estimates.

Certain reclassifications have been made to the prior period consolidated financial statements to conform to the current presentation.

Net loss per common share for the three and nine months ended September 30, 2003 and 2002 is computed based upon the weighted average common shares outstanding as defined by Financial Accounting Standards No. 128, "Earnings Per Share". All share and per share amounts have been restated to give effect to a 5,000 for 1 reverse stock split in February 2003.

INNOVATION HOLDINGS, INC. AND SUBSIDIARIES
(FORMERLY BLAGMAN MEDIA INTERNATIONAL, INC.)
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS OF SEPTEMBER 30, 2003

(UNAUDITED)

NOTE 2 RECENT ACCOUNTING PRONOUNCEMENTS

In April 2003, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities". SFAS No. 149 amends and clarifies financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts (collectively referred to as derivatives) and for hedging activities under SFAS No. 133, "Accounting for Derivative

Edgar Filing: INNOVATION HOLDINGS - Form 10QSB

Instruments and Hedging Activities". The changes in SFAS No. 149 improve financial reporting by requiring that contracts with comparable characteristics be accounted for similarly. This statement is effective for contracts entered into or modified after September 30, 2003 and all of its provisions should be applied prospectively.

The FASB has issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity." The Statement improves the accounting for certain financial instruments that, under previous guidance, issuers could account for as equity. The new Statement requires that those instruments be classified as liabilities in statements of financial position.

SFAS No. 150 affects the issuer's accounting for three types of freestanding financial instruments. One type is mandatorily redeemable shares, which the issuing company is obligated to buy back in exchange for cash or other assets. A second type, which includes put options and forward purchase contracts, involves instruments that do or may require the issuer to buy back some of its shares in exchange for cash or other assets. The third type of instruments that are liabilities under this Statement is obligations that can be settled with shares, the monetary value of which is fixed, tied solely or predominantly to a variable such as a market index, or varies inversely with the value of the issuers' shares. SFAS No. 150 does not apply to features embedded in a financial instrument that is not a derivative in its entirety.

In addition to its requirements for the classification and measurement of financial instruments in its scope, SFAS No. 150 also requires disclosures about alternative ways of settling the instruments and the capital structure of entities, all of whose shares are mandatorily redeemable. Most of the guidance in SFAS No. 150 is effective for all financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. For private companies, mandatorily redeemable financial instruments are subject to the provisions of this Statement for the fiscal period beginning after December 15, 2003.

Management does not expect the impact from the adoption of these statements to have a material impact on the Company's consolidated financial position or results of operations.

INNOVATION HOLDINGS, INC. AND SUBSIDIARIES
(FORMERLY BLAGMAN MEDIA INTERNATIONAL, INC.)
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS OF SEPTEMBER 30, 2003

(UNAUDITED)

NOTE 3 DISCONTINUED OPERATIONS

Pursuant to an Agreement and Plan of Reorganization dated March 4, 2002, effective March 22, 2002, the Company acquired 100% of the outstanding stock of Century Media, Inc., a California corporation ("Century") by merging Blagman USA, Inc., into Century. Pursuant to the transaction, the Company acquired all of the capital stock of Century for cash and common stock of the Company, assumed current debt obligations and unexercised option and stock appreciation rights of Century and assumed accrued and ongoing trade and other ordinary course obligations and relationships. Prior to the closing, the parties negotiated with the holders of portions of the outstanding Century debt to restructure the term and payments of

Edgar Filing: INNOVATION HOLDINGS - Form 10QSB

such debt and in certain cases, to allow for the issuance of shares of common stock of the Company in lieu of cash payments. Currently, the Company remains obligated on certain contingent obligations including \$1.25 million from the TMT Media Corporation acquisition by Century in 2000.

At closing, holders of Century shares received twenty cents per Century share, of which two and one-half cents was payable in cash and the balance of seventeen and one-half cents was payable by the delivery of shares of common stock of the Company, for a total of \$903,292 and 14,377 options.

In relation to the acquisition, the Company recorded goodwill in the amount of \$3,048,484, of which \$2,321,360 was on the balance sheet of Century Media on the acquisition date, and recorded an intangible asset of \$5,855,286 related to the customer list acquired. The Company evaluated the customer list and assigned it a three-year life.

The Company's management performs on-going business reviews based on quantitative and qualitative measures and assesses the need to record impairment losses when impairment indicators are identified. In the third quarter of 2002, the review made by management of the Company determined that the goodwill related to Century's business and the customer list acquired in the acquisition were not recoverable. The Company then recorded impairment charges of \$3,048,484 and \$5,599,007 (net of amortization) related to the goodwill and customer list, respectively.

In December 2002, management of the Company determined that it would no longer invest its capital and human resources into Century and entered into a plan to discontinue and abandon the operations of Century. Effective with the fourth quarter of 2002, this operating entity is reflected as a discontinued operation.

For the nine months ended September 30, 2003, Century was not operating and therefore did not have any revenues or operating expenses. For the period from acquisition to September 30, 2002, revenues and loss from discontinued operations were as follows:

INNOVATION HOLDINGS, INC. AND SUBSIDIARIES
(FORMERLY BLAGMAN MEDIA INTERNATIONAL, INC.)
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS OF SEPTEMBER 30, 2003

(UNAUDITED)

Revenues	\$ 3,566,947
Net loss from discontinued operations	\$ 5,290,313

Assets and liabilities of the discontinued operations as of September 30, 2003 were as follows:

Assets	
Cash	\$ 313
Prepaid expenses	7,005
Deposits	2,327

Edgar Filing: INNOVATION HOLDINGS - Form 10QSB

Total Assets	\$ 9,645

Liabilities	
Accounts payable	\$ 5,606,399
Accrued expenses	1,113,699
Deferred revenue	1,364,866
Notes payable	2,286,755
Capital lease obligation	29,280

Total Liabilities	10,400,999

Net liabilities of discontinued operations	\$10,391,354
	=====

The creditors of Century Media have filed various actions for breach of contract. The actions arose out of obligations incurred by Century Media prior to the merger with the Company. The Company disputes these claims and is actively seeking to resolve these matters.

NOTE 4 NOTES AND LOANS PAYABLE

The following schedule reflects notes and loans payable as of September 30, 2003:

\$50,000 note payable, interest at 6%, principal and interest due March 31, 2001. The holder of the note is currently not demanding payment and the note continues to accrue interest.

\$163,500 note payable, interest at 6%, principal and interest due March 30, 2006

\$85,000 note payable - stockholder, interest at 6%, principal and interest due April 2, 2006

INNOVATION HOLDINGS, INC. AND SUBSIDIARIES
(FORMERLY BLAGMAN MEDIA INTERNATIONAL, INC.)
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS OF SEPTEMBER 30, 2003

(UNAUDITED)

\$197,000 note payable - stockholder, interest at 6%, principal and interest due April 9, 2006

\$100,000 note payable, interest at 3.8%, principal and interest due January 10, 2004

\$75,000 note payable, interest at 4%, principal and interest due January 27, 2004

\$10,000 note payable, interest at 2.8%, principal and interest due February 11, 2004

\$45,000 note payable, interest at 4%, principal and interest due April 2, 2004, face

Edgar Filing: INNOVATION HOLDINGS - Form 10QSB

amount \$45,000

\$112,000 note payable, interest at 4%, principal and interest due June 24, 2004, face amount \$112,000

\$20,000 note payable, interest at 4%, principal and interest due September 8, 2004

Less: current portion

Notes and loans payable - long-term portion

On January 10, 2003, the Company entered into a note payable whereby the lender agreed to fund the Company on an as needed basis up to \$100,000 at an interest rate of 3.8% per annum. Principal and interest are due no later than January 10, 2004.

On January 27, 2003, the Company entered into a note payable whereby the lender agreed to fund the Company on an as needed basis up to \$75,000 at an interest rate of 4% per annum. Principal and interest are due no later than January 27, 2004.

On February 11, 2003, the Company entered into a note payable whereby the lender agreed to fund the Company on an as needed basis up to \$10,000 at an interest rate of 2.8% per annum. Principal and interest are due no later than February 11, 2004.

INNOVATION HOLDINGS, INC. AND SUBSIDIARIES
(FORMERLY BLAGMAN MEDIA INTERNATIONAL, INC.)
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS OF SEPTEMBER 30, 2003

(UNAUDITED)

On June 24, 2003, the Company entered into a note payable whereby the lender agreed to fund the Company on an as needed basis up to \$112,000 at an interest rate of 4% per annum. Principal and interest are due no later than June 24, 2004.

On April 2, 2003, the Company entered into a note payable whereby the lender agreed to fund the Company on an as needed basis up to \$45,000 at an interest rate of 4% per annum. Principal and interest are due no later than April 2, 2004.

On September 8, 2003, the Company entered into a note payable whereby the lender agreed to fund the Company on an as needed basis up to \$20,000 at an interest rate of 4% per annum. Principal and interest are due no later than September 8, 2004.

NOTE 5 STOCKHOLDERS' DEFICIENCY

In February 2003, the Board of Directors authorized a 5,000 for 1 reverse

Edgar Filing: INNOVATION HOLDINGS - Form 10QSB

stock split. All share and per share amounts in the accompanying condensed consolidated financial statements and footnotes have been restated to give effect to such reverse stock split.

In March 2003 and on May 5, 2003, 6,245,000 and 20,000,000 shares, respectively, of common stock were issued to the Company's attorney for services valued at \$934,300. The amount has been expensed to selling, general and administrative expenses in the accompanying condensed consolidated statement of operations for the nine months ended September 30, 2003. The fair value of the issued shares was based upon the market price of the Company's stock on the date of grant.

During the nine months ended September 30, 2003, the Company issued 8,179,458,000 shares of common stock for consulting services valued at \$4,297,998. The fair value of the issued shares was based upon the market price of the Company's stock on the date of grant. Of the total value, \$2,698,114 has been expensed to selling, general and administrative expenses in the accompanying condensed consolidated statement of operations for the nine months ended September 30, 2003 and \$1,599,884 is presented as deferred stock based compensation in the accompanying condensed consolidated balance sheet.

During the nine months ended September 30, 2003, the Company issued approximately 6,300,000 shares of restricted common stock to the Chief Executive Officer and subsequently cancelled and rescinded the issuance. Accordingly, the Company has not included these shares in its equity. The Company also issued 631,000 shares of common stock to three directors of the Company for services valued at \$220,500. The fair value of the issued shares was based upon the market price of the Company's stock on the date of grant. The amount was expensed to selling, general and administrative expenses in the accompanying condensed statement of operations for the nine months ended September 30, 2003. During the nine months ended September 30, 2003, the Company issued 151,270,000 shares of common stock for employee bonus compensation valued at \$81,590. The fair value of the issued shares was based upon the market price of the Company's stock on the date of grant. The amount was expensed to selling, general and administrative expenses in the accompanying condensed statement of operations for the nine months ended September 30, 2003.

INNOVATION HOLDINGS, INC. AND SUBSIDIARIES
(FORMERLY BLAGMAN MEDIA INTERNATIONAL, INC.)
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS OF SEPTEMBER 30, 2003

(UNAUDITED)

During the nine months ended September 30, 2003 the Company issued 1,494,675,300 shares of restricted common stock to an unrelated party as consideration for a license agreement entered into on June 28, 2003 valued at \$149,468. The fair value of the issued shares was based upon the market price of the Company's stock on the date of grant. The amount was included in other assets in the accompanying condensed consolidated balance sheet as of September 30, 2003.

Pursuant to the terms and conditions of two separate trust agreements, shares of the Company's common stock were transferred in trust to an attorney who will act as trustee of the Innovative Holdings, Inc. Shareholder and Creditor Trusts ("Shareholder Trust" or "Creditor

Edgar Filing: INNOVATION HOLDINGS - Form 10QSB

Trust"). In addition to the shares, the Company has assigned to the trusts the results and possible proceeds of pending future litigation.

The Shareholder Trust has been established to respond to the Company's concern that shareholders of record as of January 1, 2002 through July 31, 2002 were adversely affected by the action of outside parties effecting the share price and value of the Company throughout these dates. The Company intends to provide some measure of compensation to its shareholders for their related losses.

The Creditor Trust has been established to return the maximum amount to Century Media's creditors (assumed by the Company as a result of the Century Media acquisition) and to allow the Company to continue to operate without interruption.

Following the submission of claims and validation of such claims, the trustee will liquidate the trust property and distribute the proceeds to the trust beneficiaries in a manner the trustee deems most beneficial.

During the quarter ended September 30, 2003, the Company issued 2 billion shares of restricted stock to the trusts. The trust shares are not included in the outstanding shares because they are being held in escrow by the trustee. Additional stock will be required to be issued to achieve this financial goal (See Note 9).

INNOVATION HOLDINGS, INC. AND SUBSIDIARIES
(FORMERLY BLAGMAN MEDIA INTERNATIONAL, INC.)
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS OF SEPTEMBER 30, 2003

(UNAUDITED)

On August 18, 2003, the Company issued 500,000,000 shares of common stock valued at \$50,000 to an attorney for services rendered in connection with the establishment of the trust agreements. The fair value of the shares issued was based upon the market price of the Company's common stock on the date of grant.

NOTE 6 LITIGATION

On November 11, 2003, the Company reached a settlement with a corporation as a result of a claim brought against the corporation by the Company on May 6, 2002 and a cross complaint filed by the corporation on June 14, 2002. As part of the terms and conditions of the settlement, the Company will pay to the corporation \$260,000 and 10% simple interest over one year. This will be accomplished by the issuance of 1 billion shares of free trading stock 30 days after the execution of the agreement. The shares will be held in a trust account for the purpose of selling the stock and paying the corporation on a continuous basis. In the event the Company does not pay the corporation the total amount of the settlement on or before one year and 30 days from the execution date of the settlement agreement, the corporation will enforce a stipulated judgment in the amount of \$750,000 against the Company. The Company has recorded a liability of \$260,000 as of September 30, 2003 and this amount is included in accounts payable and accrued expenses in the accompanying condensed consolidated balance sheet as of September 30, 2003. As of December 23, 2003, the Company has not yet issued the corporation the 1

Edgar Filing: INNOVATION HOLDINGS - Form 10QSB

billion shares as per the terms of the settlement.

Other than the legal settlement discussed in the above paragraph, the Company is a party to a number of lawsuits and claims, which have been disclosed in the Company's Form 10-KSB for the year ended December 31, 2002 filed on May 16, 2003. In the opinion of management and external legal counsel, the status of the pending lawsuits and claims have not materially changed from what was disclosed in the Company's Form 10-KSB.

NOTE 7 CAPITAL LEASE OBLIGATIONS

The Company is in default of its capital lease agreement at September 30, 2003. The Company is also in discussions with the lessor to settle the matter. Due to the default, the entire amount due under the lease has been classified as current in the accompanying condensed consolidated balance sheet.

NOTE 8 GOING CONCERN

The Company's condensed consolidated financial statements for the nine months ended September 30, 2003 have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities and commitments in the normal course of business. The Company incurred a net loss of \$5,142,441 and a negative cash flow from operations of \$222,392 for the nine months ended September 30, 2003, and has a working capital deficiency of \$14,400,099 and a stockholders deficiency of \$14,450,065 as of September 30, 2003. The Company's working capital deficiency as of September 30, 2003 may not enable it to meet such objectives as presently structured. The condensed consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

INNOVATION HOLDINGS, INC. AND SUBSIDIARIES
(FORMERLY BLAGMAN MEDIA INTERNATIONAL, INC.)
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS OF SEPTEMBER 30, 2003

(UNAUDITED)

The ability of the Company to continue as a going concern is dependent on the Company's ability to raise additional capital and implement its business plan. Management believes that actions presently taken to obtain additional funding provide the opportunity for the Company to continue as a going concern. The Company is also actively seeking businesses to acquire.

NOTE 9 AGREEMENTS

On June 28, 2003, the Company entered into a license agreement with an unrelated company for the exclusive rights to an extensive video library. The initial term of the agreement is for a period of ten years. There are automatic renewal options if the Company reaches a specified revenue amount during the initial term. The Company issued restricted common stock to pay for the license fee (See Note 5). If the proceeds from the sale of these shares over the period of 18 months from the date of this agreement are less than \$1,000,000, the Company will be obligated to issue the licensor additional shares equal to two times the difference. There are no royalties to be paid in connection with this agreement. The

Edgar Filing: INNOVATION HOLDINGS - Form 10QSB

Company has not generated any revenue from the use of this license through September 30, 2003.

NOTE 10 SUBSEQUENT EVENTS

During the period from October 1, 2003 through December 16, 2003, the Company has issued 2,285,000,000 common shares, in the aggregate, to four different consultants for consulting services to be provided over varying terms, which expire at various dates during the fiscal years 2004 and 2005.

On October 1, 2003 and November 6, 2003, 150,000,000 and 50,000,000 shares of common stock were issued, respectively, to an attorney as compensation for legal services rendered.

On November 24, 2003, 2,000,000,000 shares of common stock were issued to the Company's SEC attorney as compensation for legal services rendered.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

General

Innovation Holdings, Inc. f/k/a Blagman Media International, Inc. is a Nevada corporation (collectively with its subsidiaries, the "Company"), which is the successor to a corporation founded in 1961. We are a direct marketing, direct response and media enterprise based in Century City, California which principally provides direct market services and media buying for our clients and their products and services through television, radio, Internet, print and outdoor advertising media. In addition, we organize direct response media campaigns on radio, television and in print and provide assistance in backend marketing and creative production.

We began operations in 1994 as a sole proprietorship and formed a corporation, Blagman Media International, Inc., in early 1999. On August 2, 1999, we completed a reverse acquisition with Unisat, Inc., an inactive, public non-reporting company, founded in 1961 and formerly known as Combined Companies, Inc. On the same date, Unisat, Inc. changed its name to Blagman Media International, Inc. and we therefore have two Nevada entities with the same name. The transaction was structured as a share exchange, in which Robert Blagman exchanged all of his shares in the privately held entity for 8,200,000 common shares of Unisat, Inc. In April 2000, we entered into a share exchange agreement with MNS Eagle Equity Group I, an inactive, reporting Nevada corporation, which resulted in our becoming the parent reporting company.

The primary purpose of these transactions was to give us access to a public market, to create a new corporate vehicle with which to build a more expansive media-buying infrastructure, thereby allowing us to leverage our direct marketing and direct response efforts. Currently, we are actively pursuing acquisitions and various strategic and working relationships which, if successful, will allow us to create a "network" of alliance partners with the capacity to deliver a broader range of services in a more cost-efficient manner.

In 2001, internally we focused on our core competencies by making quantitative media buys and in assisting our clients in implementing traditional radio, television and out of home media strategies. Given the general uncertainties in Internet advertising and Internet business models that developed in late 2000, and which continue, we plan to monitor the use and styles of Internet advertising. In this way, we can assess the opportunities available to us in

Edgar Filing: INNOVATION HOLDINGS - Form 10QSB

Internet advertising while not making any firm financial commitments to an Internet strategy. In addition to considering merger and acquisition opportunities for consolidation and industry growth, we are continuing to pursue an expansion in the television production field through strategic alliances.

In 2001, we also actively pursued acquisitions and completed our first industry acquisition transaction in March 2002 when Century Media, Inc. ("Century") became a wholly-owned subsidiary under the name Blagman-Century Media, Inc. ("Blagman-Century"), subsequently renamed Century Media, Inc. We had been negotiating since early 2001 to acquire Century Media, a Santa Monica based advertising agency in business for over ten years with historical billings and placements that ranged from \$35 million to \$110 million. In 2001, we entered into agreements to acquire all of the outstanding stock of Century, but certain requirements were not satisfied. In October 2001, we concluded that the purchase price for Century, which was then set at \$5.7 million cash plus the assumption of significant debt, needed to be substantially reduced as a result of our due diligence conclusions.

In March 2002, we completed the transaction through a merger of a wholly-owned special purpose subsidiary into Century in exchange for the payment of the equivalent of \$0.20 per share to the shareholders of Century (\$0.025 in cash and the balance in shares of the common stock of the parent company (hereafter "Common Shares"), repayment of \$749,778 in debentures through the issuance of Common Shares, and the recognition of debts. As a result, at closing approximately \$600,000 in cash and \$2.2 million in restricted Common Shares were distributed to holders of existing Century shares, debentures, and certain stock rights. Under the merger agreement, the Common Shares were valued at the closing bid price over the seven days prior to the date of the agreement or \$0.0008857, resulting in the issuance of 2,555,651,387 new Common Shares to the holders of Century shares, debentures and certain stock rights. Century also had continuing debt obligations due to affiliates and third parties of approximately \$1.6 million, exclusive of trade and contingency obligations. In connection with our interest in the Century transaction, we provided management services to Century from late 2001 to early 2002, essentially on a reimbursement basis. As a result of the overwhelming debt and departures by members of Century, we no longer consider this acquisition viable. We are in the process of resolving all issues related to the Century acquisition.

INNOVATION HOLDINGS, INC. AND SUBSIDIARIES
(FORMERLY BLAGMAN MEDIA INTERNATIONAL, INC.)
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS OF SEPTEMBER 30, 2003

(UNAUDITED)

Following the acquisition of Century Media in March 2002, the Company has determined that Century Media was not strategic to the Company's ongoing objectives and has discontinued capital and human resource investment in Century Media effective as of December 2002.

Results of Operations

Three Months Ended September 30, 2003 Compared to Three Months Ended September 30, 2002

	2003	2002
	-----	-----
Total net revenues	\$ 5,128	\$ (17,062)

Edgar Filing: INNOVATION HOLDINGS - Form 10QSB

Operating Expenses:		
General and Administrative	\$ 2,098,267	\$ 3,380,729
Net Loss from Operations	\$ (2,100,252)	\$ (3,406,486)
Net Loss Per Share	\$ (0.00)	\$ (2.40)

Nine Months Ended September 30, 2003 Compared to Nine Months Ended September 30, 2002

	2003	2002
	-----	-----
Total net revenues	\$ 83,652	\$ 377,017
Operating Expenses:		
General and Administrative	\$ 5,166,921	\$ 10,259,244
Net Loss from Operations	\$ (5,105,328)	\$ (9,899,324)
Net Loss Per Share	\$ (0.00)	\$ (9.60)

Net Revenues

Net Revenues (principally from advertising placements, commissions and revenue sharing arrangements) for the three months ended September 30, 2003 as compared to the three months ended September 30, 2002 increased from \$(17,062) to \$5,128. The increase in revenues is attributed to the Company's ability to outsource many functions and reduce staffing dramatically thereby allowing the Company to decrease losses. For the nine months ended September 30, 2003 as compared to the nine months ended September 30, 2002 net revenues decreased from \$377,017 to \$83,652. This decrease is due to the company's discontinuation of many internal operations that previously brought in aspects of income.

Operating Expenses

Total operating expenses decreased (37.9%) from \$3,389,424 in 2002 to \$2,105,380 in 2003 for the three months ending September 30. Total operating expenses decreased (229.8%) from \$10,276,341 in 2002 to \$5,188,980 in 2003 for the nine months ending September 30. Included in operating expenses are general and administrative expenses which decreased from \$3,380,729 for the three month period ended September 30, 2002 to \$2,098,267 (37.8%) for the three month period ended September 30, 2003. General and administrative expenses decreased from \$10,259,244 for the nine-month period ended September 30, 2002 to \$5,166,921 (49.6%)

INNOVATION HOLDINGS, INC. AND SUBSIDIARIES
(FORMERLY BLAGMAN MEDIA INTERNATIONAL, INC.)
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS OF SEPTEMBER 30, 2003

(UNAUDITED)

The total net loss of the Company for the three-month period ending September 30 2003 was \$(2,110,501) compared to \$(13,006,318) for 2002, a 83.3% decrease. The total net loss of the Company for the nine-month period ending September 30 2003

Edgar Filing: INNOVATION HOLDINGS - Form 10QSB

was \$(5,142,441) compared to \$(21,780,633) for 2002, a 76.4% decrease.

Other Income (Expenses)

Other income expenses for the three month period ending September 30 decreased from \$(12,697) in 2002 to \$(10,249) (-19.3%) in 2003 primarily due to lower interest expenses. For the nine month period the other income expenses increased from \$(29,958) in 2002 to \$(37,113) in 2003 (+23.9%). The increase in income expense is due to the company's reliance on loans and borrowed capital.

Liquidity and Capital Resources

The Company's current assets decreased from \$382,985 at December 31, 2002 to \$246,066 at September 30, 2003, this decrease due to the decrease in active business within INOV.

In connection with the various initiatives being pursued by management to expand the Company's operations internally and through strategic alliances or acquisitions with other industry partners, additional capital funding will be required. The Company hopes to raise these funds through an increase in general business profits due to a shift in the main focus of its core business. The Company plans to pass low profit making activity such as media buying to third party contracted companies. The Company also plans to invest in product ownership and development as well as actively pursue opportunities to expand the marketing aspects of these products. As the advertising industry goes through its transitions, the Company plans to react by adjusting its focus away from pure media buying to product development. Product development continues to be a strong avenue for the direct response advertising business. Affiliations and associations with other advertising agencies will also expand the Company's ability to increase cash flow and revenues without adding staff. The Company also plans to investigate the possibility of additional acquisitions that will allow the Company to become a holding company in name only. By diversifying and expanding its base operations The Company will endeavor to create a more productive future.

During 2002 and in the current quarter, the market price of our common shares has continued to drop precipitously. We believe that there are two underlying causes. First, we apparently were one of the companies targeted in an organized pattern of depressing prices through "shorting" by a group pursuing a coordinated effort to effect and profit from a falling share price and from attempts to extort favorable stock issuances from the Company without fair consideration. Management initiated referrals to appropriate regulatory agencies for their action. While actions from these referrals may reduce future manipulation, it cannot eliminate the impact of the downward price spiral. The second factor apparently affecting our price was the market reaction to the increase in authorized and issued common shares which we undertook to compensate consultants in our industry, to support Company growth to effect the Century transaction. Following the acquisition of Century Media in March 2002, the Company has determined that Century Media was not strategic to the Company's ongoing objectives and has discontinued capital and human resource investment in Century Media effective as of December 2002.

Management is currently unwinding the Century transaction, evaluating other opportunities and pursuing other initiatives to expand the Company's operations internally and through strategic alliances or acquisitions with other industry partners. These endeavors will be funded in part from operations but will also require additional capital funding which the Company hopes to raise through debt or equity financing arrangements, if appropriate financing is available, on reasonable and acceptable terms.

Edgar Filing: INNOVATION HOLDINGS - Form 10QSB

The Company intends to continue to seek additional working capital to meet its operating requirements and to provide further capital for expansion, acquisitions or strategic alliances with businesses that are complementary to the Company's long-term business objectives. Additional capital will be needed to maintain the growth plans of the Company.

INNOVATION HOLDINGS, INC. AND SUBSIDIARIES
(FORMERLY BLAGMAN MEDIA INTERNATIONAL, INC.)
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS OF SEPTEMBER 30, 2003

(UNAUDITED)

New Accounting Pronouncements

In April 2003, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities". SFAS No. 149 amends and clarifies financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts (collectively referred to as derivatives) and for hedging activities under SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities". The changes in SFAS No. 149 improve financial reporting by requiring that contracts with comparable characteristics be accounted for similarly. This statement is effective for contracts entered into or modified after September 30, 2003 and all of its provisions should be applied prospectively.

The FASB has issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity." The Statement improves the accounting for certain financial instruments that, under previous guidance, issuers could account for as equity. The new Statement requires that those instruments be classified as liabilities in statements of financial position.

SFAS No. 150 affects the issuer's accounting for three types of freestanding financial instruments. One type is mandatorily redeemable shares, which the issuing company is obligated to buy back in exchange for cash or other assets. A second type, which includes put options and forward purchase contracts, involves instruments that do or may require the issuer to buy back some of its shares in exchange for cash or other assets. The third type of instruments that are liabilities under this Statement is obligations that can be settled with shares, the monetary value of which is fixed, tied solely or predominantly to a variable such as a market index, or varies inversely with the value of the issuers' shares. SFAS No. 150 does not apply to features embedded in a financial instrument that is not a derivative in its entirety.

In addition to its requirements for the classification and measurement of financial instruments in its scope, SFAS No. 150 also requires disclosures about alternative ways of settling the instruments and the capital structure of entities, all of whose shares are mandatorily redeemable. Most of the guidance in SFAS No. 150 is effective for all financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after September 15, 2003. For private companies, mandatorily redeemable financial instruments are subject to the provisions of this Statement for the fiscal period beginning after December 15, 2003.

Edgar Filing: INNOVATION HOLDINGS - Form 10QSB

Management does not expect the impact from the pronouncements in these statements to have a material impact on the Company's consolidated financial position or results of operations.

Forward-Looking Statements

Safe Harbor statement under the Private Securities Litigation Reform Act of 1995: Except for historical information contained herein, the matters discussed in this filing are forward-looking statements that involve risks and uncertainties, including but not limited to economic, competitive, governmental and technological factors affecting the Company's operations, markets, products and prices and other factors discussed in the Company's various filings with the Securities and Exchange Commission.

Critical Accounting Policies.

The Securities and Exchange Commission ("SEC") recently issued Financial Reporting release No. 60, "Cautionary Advice Regarding Disclosure About Critical Accounting Policies" (FRR 60), suggesting companies provide additional disclosure and commentary on their most critical accounting policies. In FRR 60, the SEC defined the most critical accounting policies as the ones that are most important to the portrayal of a company's financial condition and operating results, and require management to make its most difficult and subjective judgments, often as a result of the need to make estimates of matters that are inherently uncertain.

Based upon the foregoing definition, the registrant's most critical accounting policies include:

INNOVATION HOLDINGS, INC. AND SUBSIDIARIES
(FORMERLY BLAGMAN MEDIA INTERNATIONAL, INC.)
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS OF SEPTEMBER 30, 2003

(UNAUDITED)

Revenue Recognition

The Company has historically recognized revenue from the sale of media time to advertising clients. Included in the monies received from advertising clients are amounts which represent the reimbursement of media time purchased on behalf of the customer for the related advertisements. These media purchase reimbursements have been accounted for as an offset to the related media purchases for the respective advertisement and not as gross revenues as required under EITF 99-19 and SAB 101. Monies received prior to the broadcast of the related advertisement are recorded as deferred revenue. In addition, the Company has earned commissions in connection with the procurement of media time on behalf of advertising clients in the past. Such commissions are also considered earned when the underlying advertisement is broadcasted. Additionally, the Company has entered into contractual agreements with other advertising firms to share revenues based upon the terms of the specific agreements. The income produced by these revenue-sharing contracts are recognized as media or commission income depending upon the nature of the income earned from the agreement.

Goodwill

In July 2001, the FASB issued SFAS No. 142, 'Goodwill and Other Intangible

Edgar Filing: INNOVATION HOLDINGS - Form 10QSB

Assets,' which was required to be adopted for fiscal 2002. SFAS No. 142 established accounting and reporting standards for goodwill and intangible assets resulting from business combinations. SFAS No. 142 included provisions discontinuing the periodic amortization of, and requiring the assessment of the potential impairments of, goodwill (and intangible assets deemed to have indefinite lives). As SFAS No. 142 replaced the measurement guidelines for goodwill impairment, goodwill not considered impaired under previous accounting literature may be considered impaired under SFAS No. 142. SFAS No. 142 also required that the Company complete a two-step goodwill impairment test. The first step compared the fair value of each reporting unit to its carrying amount, including goodwill. If the fair value of a reporting unit exceeded its carrying amount, goodwill is not considered to be impaired and the second step was not required. SFAS 142 required completion of this first step within the first six months of initial adoption and annually thereafter. If the carrying amount of a reporting unit exceeded its fair value, the second step is performed to measure the amount of impairment loss. The second step compared the implied fair value of goodwill to the carrying value of a reporting unit's goodwill. The implied fair value of goodwill is determined in a manner similar to accounting for a business combination with the allocation of the assessed fair value determined in the first step to the assets and liabilities of the reporting unit. The excess of the fair value of the reporting unit over the amounts assigned to the assets and liabilities is the implied fair value of goodwill. This allocation process was only performed for purposes of evaluating goodwill impairment and did not result in an entry to adjust the value of any assets or liabilities. An impairment loss is recognized for any excess in the carrying value of goodwill over the implied fair value of goodwill. Upon the initial adoption, any impairment loss identified was presented as a change in accounting principle, net of applicable income tax benefit, and recorded as of the beginning of that year. Subsequent to the initial adoption, any impairment loss recognized would be recorded as a charge to income from operations.

Asset Impairment

The Company reviews its long-lived assets and identifiable intangibles for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. In performing the review for recoverability, the Company estimates the future cash flows expected to result from the use of the asset and its eventual disposition. If the sum of the expected future cash flows (undiscounted and without interest charges) is less than the carrying amount of the asset, an impairment loss is recognized.

Otherwise, an impairment loss is not recognized. Measurement of an impairment loss for long-lived assets and identifiable intangibles would be based on the fair value of the asset.

INNOVATION HOLDINGS, INC. AND SUBSIDIARIES
(FORMERLY BLAGMAN MEDIA INTERNATIONAL, INC.)
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS OF SEPTEMBER 30, 2003

(UNAUDITED)

Item 3. CONTROLS AND PROCEDURES

(a) Evaluation of disclosure controls and procedures.

As of September 30, 2003, the Registrant carried out an evaluation of the

Edgar Filing: INNOVATION HOLDINGS - Form 10QSB

effectiveness of the design and operation of its disclosure controls and procedures pursuant to Rule 13a-14 under the Securities and Exchange Act of 1934 ("Exchange Act"). This evaluation was done under the supervision and with the participation of the Registrant's President. Based upon that evaluation, they concluded that the Registrant's disclosure controls and procedures are effective in gathering, analyzing and disclosing information needed to satisfy the Registrant's disclosure obligations under the Exchange Act.

(b) Changes in internal controls.

There were no significant changes in the Registrant's internal controls or in its factors that could significantly affect those controls since the most recent evaluation of such controls.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings. Subsequent to the Century Media transaction, TMT Media Corporation asserted that under the April 2000 Acquisition Agreement with Century Media, as a result of the transaction between the Company and Century Media, it is entitled, as of April 22, 2002, to a \$1,250,000 contingent amount and to the payment in full of the balance of \$609,564 due on the \$700,000 note delivered in the 2000 acquisition of TMT by Century Media. The Company and Century Media dispute this position and are seeking to resolve the matter. In May 2002, TMT filed a lawsuit captioned TMT Media Corporation v. Blagman Century Media, Inc., et al, in Superior Court of California, County of Los Angeles, Case No. BC273368, naming the Company, Century Media and Robert Blagman personally, seeking the accelerated amount of approximately \$1,859,564. The named defendants have filed a general denial to TMT Media's allegations and have asserted numerous affirmative defenses. Mr. Blagman has demurred to the allegations raised against him. As a result of a Demurrer, Robert Blagman is no longer personally a party to this lawsuit. The Company is in the process of preparing a cross-complaint for damages with claims including indemnification, apportionment, breach of fiduciary duty and legal malpractice against the Company's former counsel and former principals of Century Media, Inc.

Suburban Capital Corp. v. Robert Blagman et al., No. 02 CH 12321, is pending in the Circuit Court of Cook County, Illinois, County Department, Chancery Division. This litigation was initiated to seek delivery of shares allegedly due on account of two loans claimed to have been advanced by Suburban. The Company has delivered shares to the Court pending delivery of the originally pledged shares by the plaintiff. This matter is a result of the Company's actions in connection with the internal investigations on stock activities by the plaintiff and others. The Company has responded to this matter and is actively cooperating in other investigations related to the plaintiff, including pending regulating investigations. The Company anticipates additional litigation from the plaintiff and is intending to assert the indemnification and disgorgement rights under its agreement with the plaintiff and others.

Innovation Holdings, Inv. f/k/a Blagman Media International, Inc. v. Voxcorp, Case No.: SC 071975, has been settled. The Voxcorp lawsuit alleged a breach of contract, fraud and deceit, intentional misrepresentation of facts, and rescission. Innovation Holdings has filed a general denial to Voxcorp's cross-complaint and asserted numerous affirmative defenses to each cause of action. As stated this matter has settled.

Prinvest Capital Corp. v. Century Media, Inc. et al. Case No. BC292131, is pending in the Superior Court of Los Angeles County. This litigation was initiated by a creditor of Century Media in regards to an obligation incurred prior to the merger of Innovation with Century Media. Prinvest Capital is claiming an amount owed of \$166, 653.00. The Company will be filing a general denial to the complaint and a cross-complaint for damages with claims including

Edgar Filing: INNOVATION HOLDINGS - Form 10QSB

indemnification, apportionment, breach of fiduciary duty and legal malpractice against the Company's former counsel and former principals of Century Media, Inc.

INNOVATION HOLDINGS, INC. AND SUBSIDIARIES
(FORMERLY BLAGMAN MEDIA INTERNATIONAL, INC.)
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS OF SEPTEMBER 30, 2003

(UNAUDITED)

The creditors of Century Media, Inc., a wholly owned subsidiary of the Company, have filed various actions for breach of contract. Said actions arise out of obligations incurred by Century Media prior to the merger with Innovation. The Company disputes these claims and is actively seeking to resolve these matters: Media Central v. Blagman Media Inc., et al. pending in Los Angeles County Superior Court. Lin Television v. Century Media, Inc. et al. Pending in Los Angeles County Superior Court Case No. 03100896; Infinity Broadcasting Corp. v. Blagman-Century Media, Inc. et al. Pending in Civil Court of the City of New York, County of New York; and Whitney Broadcasting, et al. v. Blagman-Century Media, Inc. et al. Pending in Superior Court, Florida.

There have been no material changes in any pending legal proceedings to include on this report.

Item 2. Changes in Securities.

None.

Item 3. Defaults upon Senior Securities.

None.

Item 4. Submission of Matters to a Vote of Security Holders

None.

ITEM 5. Other Information

On March 31, 2003 the following information was released by the Securities Exchange Commission <http://www.sec.gov/litigation/litreleases/lr18057.htm>. Within the body of the full SEC Federal Court action is the description of what transpired to INOV f/k/a Blagman Media during 2001 and 2002 as it relates to The Company's involvement with Suburban Capital.

Due to the actions and activities resulting from the relationship with Suburban Capital, INOV has set up a shareholder's trust fund to compensate shareholders who were adversely effected by the issues outlined within the documents of the SEC. In addition, The Company performed its own review of suspect activity during the same period of time further justifying The Company's intent on assisting shareholders who were negatively effected.

Edgar Filing: INNOVATION HOLDINGS - Form 10QSB

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

On July 18 2003 the Company filed an 8-K announcing the establishment of two trust accounts one for shareholders and the other for creditors of INOV and the subsidiary Century Media.

The Innovation Holdings, Inc. Shareholder Trust has been established to respond to the Company's concern that shareholders of record as of January 1, 2002 through July 31, 2002 were adversely effected by the action of outside parties effecting the share price and value of the Company throughout these

On July 3 2003 the Company filed an 8-K announcing that World Wide Digital Media ("WWDM"), a wholly owned subsidiary of Innovation Holdings (the "Registrant") entered into a License Agreement with Vidway Interactive ("Vidway) to acquire its video library, which consists of approximately 800 hours of programming.

SIGNATURES

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

INNOVATION HOLDINGS, INC. F/K/A BLAGMAN MEDIA
INTERNATIONAL, INC.

Dated: _____ /s/ ROBERT BLAGMAN

Robert Blagman, President

EXHIBIT LIST

- 2.11 Agreement and Plan of Reorganization (Incorporated by reference; Form 8-K filed on March 11, 2002)
- 3.1 Articles of Incorporation (Incorporated by reference; Form 8-K of MNS Eagle Equity Group I, Inc. filed on April 27, 2000)
- 3.2 Bylaws (Incorporated by reference; Form 8-K of MNS Eagle Equity Group I, Inc. filed on April 27, 2000)
- 3.3 Certificate of Designation for Series B Convertible Preferred Stock (Incorporated by reference; Form 8-K of MNS Eagle Equity Group I, Inc. filed on April 27, 2000)
- 10.1 Employment Agreement with Robert Blagman (Incorporated by reference; Form 10-KSB/A filed on April 30, 2001)

Edgar Filing: INNOVATION HOLDINGS - Form 10QSB

- 10.2 Employment Agreement with Leslie Blagman (Incorporated by reference; Form 10-KSB/A filed on April 30, 2001)
- 10.3 Equity Line of Credit Agreement dated July 12, 2001 with GazelleGroup LLP and DRH Investment Company LLP (Incorporated by reference; Form SB-2/A filed on November 1, 2001)
- 10.4 Registration Rights Agreement dated July 12, 2001 with GazelleGroup LLP and DRH Investment Company LLP (Incorporated by reference; Form SB-2/A filed on November 1, 2001)
- 10.5 Securities Purchase Agreement dated July 12, 2001 with certain named buyers (Incorporated by reference; Form SB-2/A filed on November 1, 2001)
- 10.6 Placement Agent Agreement dated July 12, 2001 with May Davis Group, Inc. (Incorporated by reference; Form SB-2/A filed on November 1, 2001)
- 10.7 Registration Rights Agreement dated July 12, 2001 with certain named persons (Incorporated by reference; Form SB-2/A filed on November 1, 2001)
- 10.8 2000 Employee Stock Compensation Plan (Incorporated by reference; Form S-8 for MNS Eagle Equity Group I, Inc. filed on September 11, 2000)
- 10.9 2001 Employee Stock Option Plan (Incorporated by reference; Form S-8 filed on August 27, 2001)
- 21.1 List of Subsidiaries (Incorporated by reference, Form 10KSB, as amended filed on April 15, 2002)
- 31 Certification Pursuant to Section 302, Of The Sarbanes-Oxley Act Of 2002 (filed herewith)
- 32 Certification pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley act of 2002