

Edgar Filing: INNOVATION HOLDINGS - Form 10QSB

INNOVATION HOLDINGS  
Form 10QSB  
June 21, 2004

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 March 31, 2004

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

91-1923501

-----  
(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: 818-426-8737

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: 325,586,000 shares of common stock as of June 1, 2004.

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

# Edgar Filing: INNOVATION HOLDINGS - Form 10QSB

## TABLE OF CONTENTS

### PART I - FINANCIAL INFORMATION

#### ITEM 1. FINANCIAL STATEMENTS

CONDENSED Consolidated Balance Sheet As Of MARCH 31, 2004 (Unaudited)

CONDENSED CONSOLIDATED Statements Of Operations  
For The Three Months Ended MARCH 31, 2004 AND 2003 (Unaudited)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES ON  
STOCKHOLDERS' DEFICIENCY FOR THE THREE MONTHS ENDED  
MARCH 31, 2004 (UNAUDITED)

CONDENSED CONSOLIDATED Statements Of Cash Flows For The THREE Months Ended MARCH 31,  
2004 AND 2003 (Unaudited)

Notes To CONDENSED CONSOLIDATED Financial Statements As Of MARCH 31, 2004 (Unaudited)

#### ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATIONS

#### ITEM 3. CONTROLS AND PROCEDURES

### PART II - OTHER INFORMATION

#### ITEM 1. LEGAL PROCEEDINGS

#### ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

#### ITEM 3. DEFAULTS UPON SENIOR SECURITIES

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

#### ITEM 5. OTHER INFORMATION

#### ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

### SIGNATURES

### CERTIFICATIONS

INNOVATION HOLDINGS, INC.  
(FORMERLY BLAGMAN MEDIA INTERNATIONAL, INC.)  
AND SUBSIDIARIES  
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
AS OF MARCH 31, 2004

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

CONTENTS

## Edgar Filing: INNOVATION HOLDINGS - Form 10QSB

PAGE	1	CONDENSED CONSOLIDATED BALANCE SHEETS AS OF MARCH 31, 2004 (UNAUDITED) AND DECEMBER 31, 2003
PAGE	2	CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS FOR THE THREE MONTHS ENDED MARCH 31, 2004 AND 2003 (UNAUDITED)
PAGE	3	CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' DEFICIENCY FOR THE THREE MONTHS ENDED MARCH 31, 2004 (UNAUDITED)
PAGE	4	CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE THREE MONTHS ENDED MARCH 31, 2004 AND 2003 (UNAUDITED)
PAGES	5-13	NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF MARCH 31, 2004 (UNAUDITED)

INNOVATION HOLDINGS, INC.  
 (FORMERLY BLAGMAN MEDIA INTERNATIONAL, INC.)  
 AND SUBSIDIARIES  
 CONDENSED CONSOLIDATED BALANCE SHEETS  
 (UNAUDITED)

ASSETS

	March 31, 2004 (Unaudited)
	-----
CURRENT ASSETS	
Cash	\$ 2
Prepaid expenses	200,000
Assets related to discontinued operations	9,645
	-----
Total Current Assets	209,647
	-----
PROPERTY & EQUIPMENT - NET	66,753
	-----
OTHER ASSETS	
License agreement, net of amortization of \$11,518 and \$7,781 respectively	137,950
	-----
TOTAL ASSETS	\$ 414,350
	=====

LIABILITIES AND STOCKHOLDERS' DEFICIENCY

CURRENT LIABILITIES	
Notes and loans payable - current portion	\$ 359,725
Accounts payable	835,422
Accrued expenses	1,023,509
Accrued compensation - officers	2,039,844
Due to officer	100,753
Capital lease obligation - current portion	33,540
Liabilities related to discontinued operations	10,835,472
	-----

Edgar Filing: INNOVATION HOLDINGS - Form 10QSB

Total Current Liabilities		15,228,265
		-----
LONG-TERM LIABILITIES		
Notes and loans payable - long-term portion		445,500
		-----
TOTAL LIABILITIES		15,673,765
		-----
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		1
Common stock, \$.001 par value, 20,000,000,000 shares authorized 43,968,095 and 31,682,095 shares issued and outstanding		43,968
Additional paid-in capital		42,426,767
Accumulated deficit		(57,402,651)
Deferred stock based compensation		(327,500)
		-----
Total Stockholders' Deficiency		(15,259,415)
		-----
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIENCY	\$	414,350
		=====

See accompanying notes to condensed consolidated financial statements.

1

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

	For the Three Months Ended March 31, 2004	For the Three Months Ended March 31, 2003
	-----	-----
REVENUES - NET	\$ --	\$ 83,778
	-----	-----
OPERATING EXPENSES		
Selling, general and administrative	324,063	889,971
Depreciation	10,735	7,717

Edgar Filing: INNOVATION HOLDINGS - Form 10QSB

Total Operating Expenses	----- 334,798 -----	----- 897,688 -----
LOSS FROM OPERATIONS	----- (334,798) -----	----- (813,910) -----
OTHER (EXPENSE)		
Interest expense	----- (16,491) -----	----- (16,589) -----
NET LOSS	=====	=====
	\$ (351,289)	\$ (830,499)
NET LOSS PER COMMON SHARE		
- BASIC AND DILUTED	=====	=====
	\$ (0.01)	\$ (68.74)
WEIGHTED AVERAGE NUMBER		
OF COMMON SHARES		
OUTSTANDING - BASIC AND DILUTED	=====	=====
	37,032,246	12,083

See accompanying notes to condensed consolidated financial statements.

2

INNOVATION HOLDINGS, INC.  
(FORMERLY BLAGMAN MEDIA INTERNATIONAL, INC.)  
AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENT OF CHANGES ON STOCKHOLDERS' DEFICIENCY  
FOR THE THREE MONTHS ENDED MARCH 31, 2004  
(UNAUDITED)

	Preferred Stock		Common Stock		Additional	Accumulated
	Shares	Amount	Shares	Amount	Paid-In Capital	Deficit
	-----	-----	-----	-----	-----	-----
Balance, December 31, 2003	100	\$ 1	31,682,095	\$ 31,682	\$ 41,824,753	\$ (57,051,362)
Stock issued for prepaid legal fees	--	--	2,000,000	2,000	98,000	--
Stock issued for consulting	--	--	9,286,000	9,286	455,014	--
Stock issued for settlement of accrued expenses	--	--	1,000,000	1,000	49,000	--
Deferred						

Edgar Filing: INNOVATION HOLDINGS - Form 10QSB

stock compensation	--	--	--	--	--	--	--
Amortization of deferred stock compensation	--	--	--	--	--	--	--
Net loss	--	--	--	--	--	--	(351,289)
BALANCE, MARCH 31, 2004	100	\$ 1	43,968,095	\$ 43,968	\$ 42,426,767	\$ (57,402,651)	
	=====	=====	=====	=====	=====	=====	=====

See accompanying notes to condensed consolidated financial statements.

3

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

- 11 -

	For the Three Months Ended March 31, 2004	For the Three Months Ended March 31, 2003
	-----	-----
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss from operations	\$ (351,289)	\$ (830,499)
Adjustments to reconcile net loss from operations to net cash (used in) operating activities:		
Depreciation and amortization	10,735	7,717
Provision for bad debt	--	18,667
Stock issued for compensation and services	136,800	464,765
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	--	(43,368)
Prepaid expenses, media and other current assets	(100,000)	46,081
Increase (decrease) in:		
Accounts payable and accrued expenses	128,907	102,510
Accrued compensation - officers	--	170,358
Deferred revenue	--	4,982
Accrued compensation - officer	142,500	29,530
	-----	-----
Net Cash (Used In) Operating Activities	(32,347)	(29,257)
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES:		
Loan proceeds	--	45,100
Due from officer	32,347	--
Cash overdraft	--	(11,047)
Payments under capital lease obligation	--	(4,796)
	-----	-----
Net Cash Provided By Financing Activities	32,347	29,257

Edgar Filing: INNOVATION HOLDINGS - Form 10QSB

	-----	-----
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 March 31, 2004, the Company issued 2,000,000 shares of common stock having a fair market value of \$100,000 to its securities counsel for future legal services recorded as a prepaid expense.

During the period ended March 31, 2004, the Company issued 9,286,000 shares of common stock having a fair market value of \$464,300 to various consultants for consulting fees recorded as deferred stock compensation.

During the period ended March 31, 2004, the Company issued 1,000,000 shares of common stock in settlement of accrued expenses totaling \$50,000.

During the period ended March 31, 2003, the Company issued 12,490 shares of common stock having a fair market value of \$874,300 to its now former SEC attorney for future legal services recorded as a prepaid expense.

See accompanying notes to condensed consolidated financial statements.

INNOVATION HOLDINGS, INC.  
(FORMERLY BLAGMAN MEDIA INTERNATIONAL, INC.)  
AND SUBSIDIARIES  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
AS OF MARCH 31, 2004  
(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.

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

## Edgar Filing: INNOVATION HOLDINGS - Form 10QSB

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, 2003, filed on May 19, 2004.

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.

Basic loss per common share is based on net loss divided by the weighted average number of common shares outstanding. Common stock equivalents were not included in the calculation of diluted loss per share because their effect would be anti-dilutive.

### NOTE 2 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 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. (See Note 4(a)).

5

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 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



## Edgar Filing: INNOVATION HOLDINGS - Form 10QSB

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 three months ended March 31, 2004, Century was not operating and therefore did not have any revenues or operating expenses. For the period from acquisition to December 31, 2002, revenues and loss from discontinued operations were as follows:

Revenues	\$ 3,459,294
Net loss from discontinued operations	\$ 12,966,399

Assets and liabilities of the discontinued operations as of March 31, 2004 were as follows:

Assets	
Cash	\$ 313
Prepaid expenses	7,005
Deposits	2,327
	-----
Total Assets	\$ 9,645
	-----

Liabilities	
Accounts payable	\$ 5,606,399
Accrued expenses	1,478,352
Deferred revenue	1,364,866
Notes payable	2,356,575
Capital lease obligation	29,280
	-----
Total Liabilities	10,835,472
	-----

Net liabilities of discontinued operations	\$ 10,825,827
	=====

6

The creditors of Century Media have filed various actions for breach of contract. Said 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 3 STOCKHOLDERS' DEFICIENCY

In February 2003, the Board of Directors authorized a 5,000 for 1 reverse stock split. In April 2004, the Board of Directors authorized a 500 for 1 reverse 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 splits.

## Edgar Filing: INNOVATION HOLDINGS - Form 10QSB

During the three months ended March 31, 2004, 2,000,000 shares of common stock were issued to the Company's attorney for an agreement to provide future legal services valued at \$100,000. The amount has been recorded as a prepaid expense in the accompanying condensed consolidated balance sheet at March 31, 2004. 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 three months ended March 31, 2004, the Company issued 9,286,000 shares of common stock for consulting services valued at \$464,300. 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, \$130,000 has been expensed to selling, general and administrative expenses in the accompanying condensed consolidated statement of operations for the three months ended March 31, 2004 and \$427,500 is presented as deferred stock based compensation in the accompanying condensed consolidated balance sheet.

On March 8, 2004, the Company issued 1,000,000 shares of common stock valued at \$50,000 to satisfy certain accrued liabilities related to a legal settlement reached in 2003. (See Note 4(d)) The fair value of the issued shares was based upon the market price of the Company's stock on the date of grant.

### NOTE 4 LITIGATION

- (A) Subsequent to the Blagman/Century merger transaction described in Note 2, TMT Media Corporation ("TMT") has asserted that under the April 2000 acquisition agreement (whereby Century acquired TMT), as a result of the transaction between the Company and Century, it is entitled, as of April 22, 2002, to the \$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 by Century.

The Company and Century dispute this position and are seeking to resolve the matter. In May 2002, TMT initiated a proceeding, TMT MEDIA CORPORATION vs. BLAGMAN CENTURY MEDIA, INC. et al. (Superior court of California, County of Los Angeles, Case BC273368) against the Company, Century and a shareholder personally, claiming the accelerated amount of \$1,859,564. Management has filed a general denial to TMT's allegations and has asserted numerous affirmative defenses and plans to begin mediation in June to resolve this case. In December 2003, TMT was granted a Summary Judgment against the Company in the accelerated amount of \$2,242,975, which includes additional interest on the \$1,250,000 contingent amount and the \$609,564 note plus attorney's fees and costs incurred by TMT. The Company's former attorney failed to file any opposition to the summary judgment motion. The Company's current attorney filed a motion to be relieved of the default as to this summary judgment. As of March 31, 2004, the Company has recorded additional liabilities in the amount of \$383,411 in order to record the full liability of \$2,242,975 as per the summary judgment. This liability is included in Liabilities from Discontinued Operations in the accompanying consolidated balance sheet at March 31, 2004.

7

- (B) In March 2002, the Company advised authorities, market members and regulators and initiated an internal reconciliation investigation relating to a substantial amount of common shares of the Company improperly and fraudulently issued and possibly transferred, including possible improper releases of restrictions and transfers of restricted securities warrant

## Edgar Filing: INNOVATION HOLDINGS - Form 10QSB

negotiations or an exemption from registration, without the knowledge of the Company ("Curative Review Process"). The Curative Review Process is continuing. The Company filed a registration statement on Form S-8 for a 2002 Employee Stock Compensation Plan ("Registration Statement") effective August 2002 to register shares. In connection with the Curative Review Process, the Company subsequently placed stop transfer orders on all of the original certificates and derivatives of those certificates, advised market members and depositories of its actions and has been working with these parties and its transfer agent and other resources to ascertain which shares of Common Stock need to remain in commerce to recognize the interests of the transferee, which shares should be cancelled or returned to the Company and therefore removed from registration ("Removed Shares") and which shares are held by or were delivered to parties who were eligible to receive and hold the same pursuant to the Plan. The Company intends to file an amendment to this Registration Statement as soon as practicable when the reconciliation in the curative Review Process is complete to withdraw the Removed shares from registration. In connection with this, the Company has had suit filed against them by a third party pending the circuit court of Cook County, Illinois. The Company has responded to this matter and is actively cooperating in other investigations relating to the plaintiff and others. The Company expects additional litigation from the plaintiff and is intending to assert the indemnification and disgorgement rights under its agreements with the plaintiff. As stated above, more information on issues related to the collateral damage of the company's association with certain financial advisors and organizations can be found on the Securities and Exchange Commission (SEC) website. Additional lawsuits may be filed by the Company against all parties involved in the fraud if any issues related to such fraud have an adverse effect on the company. The Company has initiated a complaint against a third party in the Superior court of California in the County of Los Angeles for breach of contract, fraud and deceit, intentional misrepresentation of facts, and rescission. The third party filed a general denial to the complaint, has asserted numerous affirmative defenses, and has filed a cross-complaint alleging breach of written contract, breach of the implied covenant of good faith and fair dealing, conversion, common counts, breach of fiduciary duties, fraud and deceit, negligent misrepresentation, imposition of constructive trust and/or resulting trust, intentional and tortuous inducement to breach and interference with contract and prospective economic advantage, and unfair trade practices. The Company has filed a general denial to the allegations. The parties are currently seeking a business settlement.

On March 31, 2003, the SEC filed a complaint for injunctive and other equitable relief, obtained a temporary restraining order and has frozen the assets of this third party. The SEC complaint specifically alleges that this third party and his associates forged stock issuance resolutions and entered into bogus consulting agreements in an effort to wrongfully convert the Company's S-8 shares. The SEC has alleged that this third party and his associates stole approximately 2,160 shares of the Company's stock valued at \$3,300,000.

- (C) A claim has been brought against the Company by a corporation for breach of contract. On January 30, 2004, this corporation was granted a summary judgment in the amount of \$203,064, which includes interest plus attorney's fees and costs incurred by the corporation. The Company's current attorney filed a motion to be relieved of the default as to this

summary judgment. As of March 31, 2004, the Company has recorded

## Edgar Filing: INNOVATION HOLDINGS - Form 10QSB

additional liabilities in the amount of \$51,064 in order to record the full liability of \$203,064 as per the summary judgment. This liability is included in Liabilities from Discontinued Operations in the accompanying consolidate balance sheet at March 31, 2004. There are currently cross-actions in the case that are pending for binding arbitration in November 2004.

- (D) 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 2 million 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 and this amount is included in accrued expenses in the accompanying consolidated balance sheet as of December 31, 2003. As of March 31, 2004, the liability was \$210,000. (See Note 3) As of the date of this report, the liability has been paid in full.

Other than the litigation discussed in the above paragraphs, the Company is a party to a number of lawsuits and claims that the Company believes will ultimately have a favorable outcome and are not material in dollar amounts.

### NOTE 5 CAPITAL LEASE OBLIGATIONS

The Company is in default of its capital lease agreement at March 31, 2004. 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 6 GOING CONCERN

The Company's condensed consolidated financial statements 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 \$351,289 and a negative cash flow from operations of \$32,347 for the three months ended March 31, 2004, and has a working capital deficiency of \$15,018,618 and a stockholders deficiency of \$15,259,415 at March 31, 2004 which raises substantial doubt about its ability to continue as a going concern. The Company's working capital deficiency as of March 31, 2004 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.

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.

## Edgar Filing: INNOVATION HOLDINGS - Form 10QSB

### NOTE 7 SUBSEQUENT EVENTS

In April 2004, the Board of Directors authorized a 500 for 1 reverse stock split. All share and per share amounts in the accompanying consolidated financial statements and footnotes have been restated to give effect to such reverse stock split.

In May 2004, a total of 60,000,000 shares of common stock were issued to the Company's Securities and Exchange attorney as compensation for legal services rendered and for future legal services.

In April and May 2004, the Company issued 169,300,000 common shares, in the aggregate, to twelve different consultants for consulting services to be provided over varying terms, which expire at various dates during the fiscal year 2005.

On May 21, 2004, the Company issued 39,000,000 shares of common stock for employee bonus compensation.

10

### 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

## Edgar Filing: INNOVATION HOLDINGS - Form 10QSB

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 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.

11

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 March 31, 2004 Compared to Three Months Ended March 31, 2003

	2004	2003
	-----	-----
Total net revenues	\$ --	\$ 83,778
Operating Expenses:		
General and Administrative	\$ 324,063	\$ 889,971

## Edgar Filing: INNOVATION HOLDINGS - Form 10QSB

Net Loss from Operations	\$ (334,798)	\$ (813,910)
Net Loss Per Share	\$ (0.01)	\$ (0.14)

### Net Revenues

Net Revenues for the three months ended March 31, 2004 as compared to the three months ended March 31, 2003 decreased from \$83,778 to \$0.

### Operating Expenses

Total operating expenses decreased 63% from \$897,688 in 2003 to \$334,798 in 2004 for the three months ending March 31. Included in operating expenses are general and administrative expenses which decreased 64% from \$889,971 for the three month period ended March 31, 2003 to \$324,063 for the three month period ended March 31, 2004.

The total net loss of the Company for the three-month period ending March 31, 2004 was \$(351,289) compared to \$(830,499) for 2003, a 58% decrease.

### Other (Expenses)

Other expenses for the three month period ending March 31 decreased from \$(16,589) in 2003 to \$(16,491) (1%) in 2004 due to lower interest expenses.

### Liquidity and Capital Resources

The Company's current assets increased from \$9,647 at December 31, 2003 to \$209,647 for the three month period ended March 31, 2004, due to the issuance of stock valued at \$100,000 as a retainer for legal counsel and \$100,000 for the prepaid portion of accrued consulting fees.

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 2003 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

## Edgar Filing: INNOVATION HOLDINGS - Form 10QSB

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.

During 2003, we focused a significant effort to the unwinding of Century Media. While the Century Media transaction adds existing debt and trade payables, management believes that these obligations are being contained and can be funded from operations, internal organic growth, increased billings, legal avenues and extensive operating cost reductions and efficiencies. We have departed from our earlier strategy to assist in funding selected aspects of the growth of Century Media and new strategic hires and alliances that will not facilitate positive financial growth.

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. In addition negotiations and payment plans will be established for preexisting Century debt.

Another factor which has taken a substantial amount of time and funding to overcome is the Company's victimization at the hands of a specific financial firm now under investigation with the SEC. More details are available at <http://www.sec.gov/litigation/complaints/comp18057.htm>.

If substantial additional working capital does not become available, management believes that the active search and completion of key acquisitions along with proper legal restructuring and planning will be sufficient to meet essential capital requirements for the next 12 months but will not support growth.

However, the Company currently has a deficit. As a result, the Company's financial statements for the period ended March 31, 2004 have been prepared on a going concern basis which contemplated the realization of assets and the settlement of liabilities and commitments in the normal course of business. The Company incurred a net loss of \$351,289 for the three months ended March 31, 2004, and has a working capital deficiency of \$15,018,618 and a stockholders deficiency at March 31, 2004 of \$15,259,415, and may not enable it to meet such objectives as presently structured. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

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.



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:

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.

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.

## Edgar Filing: INNOVATION HOLDINGS - Form 10QSB

### ITEM 3. CONTROLS AND PROCEDURES

Our Chief Executive Officer and Chief Financial Officer, in consultation with advisors as appropriate, carried out an evaluation of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this Quarterly Report on Form 10-QSB pursuant to Rule 13a-15(e) promulgated under the Securities and Exchange Act of 1934 ("Exchange Act"). Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of the date of the evaluation, our disclosure controls and procedures are effective in making known to them on a timely basis material information relating to our company (including any consolidated subsidiaries) required to be included in this report. There were no significant changes to our internal controls or in other factors that could significantly affect these controls, known to our Chief Executive Officer or Chief Financial Officer, subsequent to the date of the evaluation, including any significant deficiencies or material weaknesses that would require corrective action.

14

### PART II. OTHER INFORMATION

#### ITEM 1. LEGAL PROCEEDINGS.

- (A) Subsequent to the Blagman/Century merger transaction described in Note 2, TMT Media Corporation ("TMT") has asserted that under the April 2000 acquisition agreement (whereby Century acquired TMT), as a result of the transaction between the Company and Century, it is entitled, as of April 22, 2002, to the \$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 by Century.

The Company and Century dispute this position and are seeking to resolve the matter. In May 2002, TMT initiated a proceeding, TMT MEDIA CORPORATION vs. BLAGMAN CENTURY MEDIA, INC. et al. (Superior court of California, County of Los Angeles, Case BC273368) against the Company, Century and a shareholder personally, claiming the accelerated amount of \$1,859,564. Management has filed a general denial to TMT's allegations and has asserted numerous affirmative defenses and plans to begin mediation in June to resolve this case. In December 2003, TMT was granted a Summary Judgment against the Company in the accelerated amount of \$2,242,975, which includes additional interest on the \$1,250,000 contingent amount and the \$609,564 note plus attorney's fees and costs incurred by TMT. The Company's former attorney failed to file any opposition to the summary judgment motion. The Company's current attorney filed a motion to be relieved of the default as to this summary judgment. As of March 31, 2004, the Company has recorded additional liabilities in the amount of \$383,411 in order to record the full liability of \$2,242,975 as per the summary judgment. This liability is included in Liabilities from Discontinued Operations in the accompanying consolidated balance sheet at March 31, 2004.

- (B) In March 2002, the Company advised authorities, market members and regulators and initiated an internal reconciliation investigation relating to a substantial amount of common shares of the Company improperly and fraudulently issued and possibly transferred, including possible improper releases of restrictions and transfers of restricted securities warrant negotiations or an exemption from registration, without the knowledge of the Company ("Curative Review Process"). The Curative Review Process is continuing. The Company filed a registration statement on Form S-8 for a 2002 Employee Stock Compensation Plan ("Registration Statement") effective

## Edgar Filing: INNOVATION HOLDINGS - Form 10QSB

August 2002 to register shares. In connection with the Curative Review Process, the Company subsequently placed stop transfer orders on all of the original certificates and derivatives of those certificates, advised market members and depositories of its actions and has been working with these parties and its transfer agent and other resources to ascertain which shares of Common Stock need to remain in commerce to recognize the interests of the transferee, which shares should be cancelled or returned to the Company and therefore removed from registration ("Removed Shares") and which shares are held by or were delivered to parties who were eligible to receive and hold the same pursuant to the Plan. The Company intends to file an amendment to this Registration Statement as soon as practicable when the reconciliation in the curative Review Process is complete to withdraw the Removed shares from registration. In connection with this, the Company has had suit filed against them by a third party pending the circuit court of Cook County, Illinois. The Company has responded to this matter and is actively cooperating in other investigations relating to the plaintiff and others. The Company expects additional litigation from the plaintiff and is intending to assert the indemnification and disgorgement rights under its agreements with the plaintiff. As stated above, more information on issues related to the collateral damage of the company's association with certain financial advisors and organizations can be found on the Securities and Exchange Commission (SEC) website. Additional lawsuits may be filed by the Company against all parties involved in the fraud if any issues related to such fraud have an adverse effect on the company. The Company has initiated a complaint against a third party in the Superior court of California in the County of Los Angeles for breach of contract, fraud and deceit, intentional misrepresentation of facts, and rescission. The third party filed a general denial to the complaint, has asserted numerous affirmative defenses, and has filed a cross-complaint alleging breach of written contract, breach of the implied covenant of good faith and fair dealing,

15

conversion, common counts, breach of fiduciary duties, fraud and deceit, negligent misrepresentation, imposition of constructive trust and/or resulting trust, intentional and tortuous inducement to breach and interference with contract and prospective economic advantage, and unfair trade practices. The Company has filed a general denial to the allegations. The parties are currently seeking a business settlement.

On March 31, 2003, the SEC filed a complaint for injunctive and other equitable relief, obtained a temporary restraining order and has frozen the assets of this third party. The SEC complaint specifically alleges that this third party and his associates forged stock issuance resolutions and entered into bogus consulting agreements in an effort to wrongfully convert the Company's S-8 shares. The SEC has alleged that this third party and his associates stole approximately 2,160 shares of the Company's stock valued at \$3,300,000.

- (C) A claim has been brought against the Company by a corporation for breach of contract. On January 30, 2004, this corporation was granted a summary judgment in the amount of \$203,064, which includes interest plus attorney's fees and costs incurred by the corporation. The Company's current attorney filed a motion to be relieved of the default as to this summary judgment. As of March 31, 2004, the Company has recorded additional liabilities in the amount of \$51,064 in order to record the full liability of \$203,064 as per the summary judgment. This liability is included in Liabilities from Discontinued Operations in the accompanying consolidate balance sheet at March 31, 2004. There are currently

## Edgar Filing: INNOVATION HOLDINGS - Form 10QSB

cross-actions in the case that are pending for binding arbitration in November 2004.

- (D) 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 2 million 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 and this amount is included in accounts payable and accrued expenses in the accompanying consolidated balance sheet as of December 31, 2003. As of March 31, 2004, the liability was \$210,000. As of the date of this report, the liability has been paid in full. The fair value of the shares issued was based upon the market price of the Company's common stock on the date of grant.

Other than the litigation discussed in the above paragraphs, the Company is a party to a number of lawsuits and claims that the Company believes will ultimately have a favorable outcome and are not material in dollar amounts.

### 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.

None.

### ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

16

On April 26, 2004, the Company filed a Form 8-K stating the Company had effectuated a 1-for-500 reverse stock split in order to foster shareholder value, and that it had entered into an exclusive marketing rights agreement with CrossGel, Inc., a privately held Utah corporation, pursuant to which the Company would create and provide all media and marketing for CrossGel.

-----  
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

## Edgar Filing: INNOVATION HOLDINGS - Form 10QSB

thereunto duly authorized.

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

Dated: June 21, 2004

/s/ ROBERT BLAGMAN

---

Robert Blagman, President and CEO

17

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002:

I, Robert Blagman, Chief Executive Officer, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of Innovation Holdings, Inc., a Nevada corporation;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The small business issuer's other certifying officer (s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e) and internal control over financial reporting (as defined in Exchange Act Rules 13a - 15 (f) and 15d -15(f) for the small business issuer and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the small business issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
  - b) [omitted pursuant to extended compliance period];
  - c) Evaluated the effectiveness of the small business issuer's disclosure control, and procedures, and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of this end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the small business issuer's internal control over financial reporting that occurred during the small business issuer's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially

## Edgar Filing: INNOVATION HOLDINGS - Form 10QSB

affected, or is reasonably likely to materially affect, the small business issuers internal control over financial reporting; and

5. The small business issuer 's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's audit committee of the small business issuer's board of directors (or person's performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the small business issuer 's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the small business issuer's internal control over financial reporting.

Dated: June 21, 2004

By: /s/ Robert Blagman

-----  
Robert Blagman  
Chief Executive Officer

18

### 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)
- 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)

## Edgar Filing: INNOVATION HOLDINGS - Form 10QSB

- 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)
- 10.10 1-for-500 stock split and marketing rights agreement (Incorporated by reference; Form 8-K filed on April 26, 2004)
- 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