

Edgar Filing: INNOVO GROUP INC - Form DEFR14A

INNOVO GROUP INC
Form DEFR14A
April 29, 2004

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

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange
Act of 1934

(Amendment No. 1)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule
14a-6(e) (2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material under Rule 240.14a-12

INNOVO GROUP INC.
(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i) (1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed
pursuant to Exchange Act Rule 0-11 (set forth the amount on which
the filing fee is calculated and state how it was determined):

Edgar Filing: INNOVO GROUP INC - Form DEFR14A

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount previously paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

INNOVO GROUP INC.
5804 East Slauson Avenue
Commerce, California 90040
(323) 725-5516

April 29, 2004

Dear Stockholder:

You are cordially invited to attend the 2004 annual meeting of stockholders of Innovo Group Inc., or Innovo Group, which will be held at The Wyndham Commerce Hotel, 5757 Telegraph Road, Commerce, California 90040, (near Los Angeles, California), on Thursday, June 3, 2004. The 2004 annual meeting of stockholders will begin promptly at 10:00 a.m. local time.

The accompanying notice of annual meeting and proxy statement, which you are urged to read carefully, provide important information regarding the business to be conducted at the annual meeting.

Edgar Filing: INNOVO GROUP INC - Form DEF14A

Your Board of Directors recommends a vote "FOR" all of the director nominees and proposals.

You are requested to complete, date and sign the enclosed proxy card and promptly return it in the enclosed envelope, whether or not you plan to attend the annual meeting. If you do attend the meeting, you may vote in person even if you have submitted a proxy card. REGARDLESS OF THE NUMBER OF SHARES YOU OWN OR WHETHER YOU PLAN TO ATTEND THE ANNUAL MEETING, IT IS IMPORTANT THAT YOUR SHARES BE REPRESENTED AND VOTED. If you hold your shares in "street name" (that is, through a broker, bank or other nominee), please review the instructions on the proxy forwarded by your broker, bank or other nominee regarding the option, if any, to vote on the Internet or by telephone. If you plan to attend the meeting in person, please remember to bring a form of personal identification with you and, if you are acting as a proxy for another stockholder, please bring written confirmation from the record owner that you are acting as a proxy.

On behalf of the Board of Directors, I thank you for your support and continued interest in Innoovo Group.

Sincerely,

/s/ Samuel J. Furrow

Samuel J. Furrow
CHAIRMAN OF THE BOARD OF DIRECTORS
INNOVO GROUP INC.

INNOVO GROUP INC.
5804 East Slauson Avenue
Commerce, California 90040
(323) 725-5516

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON THURSDAY, JUNE 3, 2004

Time and Date	10:00 a.m., local time on Thursday, June 3, 2004
Place	The Wyndham Commerce Hotel, 5757 Telegraph Road, Commerce, California 90040
Items of Business	(1) To elect nine directors to serve on the Board of Directors until the 2005 annual meeting of stockholders and until their respective successors are elected and qualified; (2) To approve the adoption of the 2004 Stock Incentive Plan; (3) To ratify the appointment of Ernst & Young, LLP as our independent auditors for the fiscal year ending November 27, 2004; and (4) To transact such other business as may properly come before the annual meeting or any adjournments thereof.
Adjournments and	Any action on the items of business described above

Edgar Filing: INNOVO GROUP INC - Form DEF14A

Postponements may be considered at the annual meeting at the time and on the date specified above or at any time and date to which the annual meeting may be properly adjourned or postponed.

Record Date You are entitled to vote only if you are an Innoovo Group common stockholder as of the close of business on April 14, 2004, or the Record Date.

Meeting Admission You are entitled to attend the annual meeting only if you are an Innoovo Group common stockholder as of the close of business on the Record Date or hold a valid proxy for the annual meeting. You should be prepared to present photo identification for admittance. If you are not a common stockholder of record, but hold shares through a broker, bank or other nominee (i.e., street name), you should provide proof of beneficial ownership as of the Record Date, such as your most recent account statement prior to April 14, 2004, a copy of the proxy card provided by your broker, bank or nominee, or other similar evidence of ownership. If you do not provide photo identification or comply with the other procedures outlined above upon request, you will not be admitted to the annual meeting.

ii

List of Common Stockholders Entitled to vote A list of our common stockholders entitled at the annual meeting to Vote will be open for the examination by any common stockholder for any purpose germane to the annual meeting during ordinary business hours for a period of ten days before the annual meeting at our office at 5804 East Slauson Avenue, Commerce, California, 90040.

Voting YOUR VOTE IS VERY IMPORTANT TO US. WHETHER OR NOT YOU PLAN TO ATTEND THE ANNUAL MEETING, WE ENCOURAGE YOU TO READ THIS PROXY STATEMENT AND TO SUBMIT YOUR PROXY AS SOON AS POSSIBLE. YOU MAY SUBMIT YOUR PROXY FOR THE ANNUAL MEETING BY COMPLETING, SIGNING, DATING AND RETURNING YOUR PROXY IN THE PRE-ADDRESSED ENVELOPE PROVIDED, OR IN SOME CASES, BY USING THE TELEPHONE OR INTERNET. FOR SPECIFIC INSTRUCTIONS ON HOW TO VOTE YOUR SHARES, PLEASE REFER TO THE SECTION ENTITLED QUESTIONS AND ANSWERS BEGINNING ON PAGE 1 OF THIS PROXY STATEMENT OR THE INFORMATION PROVIDED TO YOU BY YOUR BROKER, BANK OR OTHER NOMINEE.

EVEN IF YOU HAVE VOTED YOUR PROXY, YOU MAY STILL VOTE IN PERSON IF YOU ATTEND THE MEETING. PLEASE NOTE, HOWEVER, THAT IF YOUR SHARES ARE HELD OF RECORD BY A BROKER, BANK OR OTHER NOMINEE AND YOU WISH TO VOTE IN PERSON AT THE MEETING, YOU MUST OBTAIN FROM SUCH BROKER, BANK OR OTHER NOMINEE, A PROXY ISSUED IN YOUR NAME.

By Order of the Board of Directors,

Edgar Filing: INNOVO GROUP INC - Form DEF14A

/s/ Samuel J. Furrow

Samuel J. Furrow
Chairman of the Board of Directors
Los Angeles, California
April 29, 2004

This notice of annual meeting and proxy statement and proxy are first being mailed to our common stockholders on or about May 3, 2004.

iii

QUESTIONS AND ANSWERS ABOUT THE PROXY MATERIALS
AND THE ANNUAL MEETING

Although we encourage you to read the proxy statement in its entirety, we include these Questions and Answers to provide background information and brief answers to several questions that you may have about the proxy materials.

Q: Why am I receiving these materials?

A: The Board of Directors of Innoovo Group, or the Board of Directors, is providing these proxy materials to you in connection with our annual meeting of stockholders, which will take place on Thursday, June 3, 2004. Our common stockholders are invited to attend the annual meeting and are entitled to and requested to vote on the proposals described in this proxy statement.

Q: What information is contained in this proxy statement?

A: The information included in this proxy statement relates to the proposals to be voted on at the annual meeting, the voting process, information including compensation concerning directors and the most highly paid executive officers, and certain other required information.

Q: What proposals will be voted on at the annual meeting?

A: The proposals scheduled to be voted on at the annual meeting are:

- (1) To elect nine directors to serve on the Board of Directors until the 2005 annual meeting of stockholders and until their respective successors are elected and qualified;
- (2) To approve the adoption of the 2004 Stock Incentive Plan; and
- (3) To ratify the appointment of Ernst & Young, LLP as our independent auditors for the fiscal year ending November 27, 2004.

We will also consider any other business that properly comes before the annual meeting.

Q: How does the Board of Directors recommend that I vote?

A: Our Board of Directors unanimously recommends that you vote your shares "FOR" each of the nominees to the Board of Directors, "FOR" the approval of the

Edgar Filing: INNOVO GROUP INC - Form DEFR14A

adoption of the 2004 Stock Incentive Plan and "FOR" the ratification of the appointment of Ernst & Young, LLP as our independent auditors for the fiscal year ending November 27, 2004.

Q: What shares can I vote?

A: Each share of our common stock issued and outstanding as of the close of business on the April 14, 2004, or the Record Date, is entitled to be voted for all proposals being voted upon at the annual meeting. You may cast one vote per share of common stock held by you as of the Record Date. These shares include shares that are (1) held directly in your name as the common stockholder of record, and (2) shares held for you as the beneficial owner through a broker, bank or other nominee. As of April 26, 2004, we had approximately 29,161,350 shares of common stock issued and outstanding and approximately 995 common stockholders of

1

record.

Q: What is the difference between holding shares as a common stockholder of record and as a beneficial owner?

A: Most of our common stockholders hold their shares through a broker, bank or other nominee rather than directly in their own name. As summarized below, there are some distinctions between shares held of record and those owned beneficially.

Common Stockholder of Record

If your shares are registered directly in your name with our transfer agent, North American Transfer Company, you are considered with respect to those shares the common stockholder of record and these proxy materials are being sent directly to you by us. As the common stockholder of record, you have the right to grant your voting proxy directly to us or to vote in person at the annual meeting. We have enclosed a proxy card for you to use.

Beneficial Owner

If your shares are held in a brokerage account or by a bank or other nominee, you are considered the beneficial owner of shares of our common stock held in street name, and these proxy materials are being forwarded to you by your broker, bank or nominee who is considered with respect to those shares the common stockholder of record. As the beneficial owner, you have the right to direct your broker, bank or other nominee on how to vote and are also invited to attend the annual meeting. However, since you are not the common stockholder of record, you may not vote these shares in person at the annual meeting unless you obtain a legal proxy from the broker, bank, or nominee that holds your shares giving you the right to vote the shares at the annual meeting. Your broker, bank or nominee has enclosed a voting instruction card for you to use in directing the broker or nominee regarding how to vote your shares. You may also be able to vote your shares by Internet or telephone as described below under "How can I vote my shares without attending the annual meeting?"

Q: How can I attend the annual meeting?

A: You are entitled to attend the annual meeting only if you are an Innoovo Group common stockholder as of the close of business on Record Date or you hold a

Edgar Filing: INNOVO GROUP INC - Form DEFR14A

valid proxy for the annual meeting. You should be prepared to present photo identification for admittance. If you are not a common stockholder of record, but hold the shares through a broker, bank or nominee (i.e., in street name), you should provide proof of beneficial ownership on the Record Date, such as your most recent account statement prior to April 14, 2004, a copy of the voting instruction card provided by your broker, bank or nominee, or other similar evidence of ownership. If you do not provide photo identification or comply with the other procedures outlined above upon request, you will not be admitted to the annual meeting.

Q: How can I vote my shares in person at the annual meeting?

A: Shares held in your name as the common stockholder of record may be voted in person at the annual meeting. Shares held beneficially in street name may be voted in person only if you obtain a legal proxy from your broker, bank or other nominee that holds your shares giving you the right to vote the shares. Even if you plan to attend the annual meeting, we recommend that you also submit your proxy or voting instructions as

2

described below so that your vote will be counted if you later decide not to attend the meeting.

Q: How can I vote my shares without attending the annual meeting?

A: Whether you hold your shares directly as the common stockholder of record or beneficially in street name, you may direct how your shares are voted without attending the meeting. If you are a common stockholder of record, you may vote by submitting a proxy. If you hold shares beneficially in street name, you may vote by submitting voting instructions to your broker, bank or nominee. For directions on how to vote, please refer to the instructions below and those included on your proxy card, or for shares held beneficially in street name, you may vote by submitting voting instructions to your broker, bank or nominee.

By Mail - Our common stockholders of record may submit proxies by completing, signing and dating their proxy cards and mailing them in the accompanying pre-paid, pre-addressed envelope. Our common stockholders who hold shares beneficially in street name may vote by mail by completing, signing and dating the voting instruction card provided by their broker, bank or nominee and mailing them in the accompanying pre-addressed envelope.

By Internet - Most of our common stockholders who hold shares beneficially in street name may vote by accessing the website specified on the voting instruction cards provided by their brokers, banks or nominees. Please check the voting instruction card for Internet voting availability.

By Telephone - Most of our common stockholders who hold shares beneficially in street name may vote by phone by calling the number specified on the voting instruction cards provided by their brokers, banks or nominees. Please check the voting instruction card for telephone voting availability.

Q: May I change my vote?

A: You may change your vote at any time prior to the vote at the annual meeting. If you are the common stockholder of record, you may change your vote by granting a new proxy card bearing a later date (which automatically revokes the earlier proxy), by providing written notice of revocation to our Corporate Secretary prior to your shares being voted, or by attending the annual meeting and voting in person. Attendance at the annual meeting will not cause your

Edgar Filing: INNOVO GROUP INC - Form DEFR14A

previously granted proxy to be revoked unless you specifically so request. For shares you hold beneficially in street name, you may change your vote by submitting new voting instructions to your broker, bank or nominee, or, if you have obtained a legal proxy from your broker, bank or nominee giving you the right to vote your shares, by attending the meeting and voting in person.

Q: Is my vote confidential?

A: Proxy instructions, ballots and voting tabulations that identify individual common stockholders are handled in a manner that protects your voting privacy. Your vote will not be disclosed either within Innovo Group or to third parties, except: (1) as necessary to meet applicable legal requirements, (2) to allow for the tabulation of votes and certification of the vote, and (3) to facilitate a successful proxy solicitation. If a common stockholder submits a proxy card with a written comment, then that proxy card will be forwarded to Innovo Group management.

3

Q: How many shares must be present or represented to conduct business at the annual meeting?

A: The quorum requirement for holding the annual meeting and for transacting business is that the holders of a majority of shares of our common stock entitled to vote must be present in person or represented by proxy. Both abstentions and broker non-votes are counted for the purposes of determining the presence of a quorum.

Q: How are votes counted?

A: For the election of directors, you may vote "FOR" all of the nominees or your vote may be "WITHHELD" for one or more of the nominees. For the other items of business, you may vote "FOR," "AGAINST" or "ABSTAIN." If you "ABSTAIN," the abstention has the same effect as a vote "AGAINST" the proposal. If you provide specific instructions with regard to certain items, your shares will be voted as you instruct on such items. If you sign your proxy card or voting instruction card without giving specific instructions, your shares will be voted in accordance with the recommendations of the Board of Directors.

Q: Who will count the vote?

A: A representative of North American Transfer Company will tabulate the votes up until the morning of the meeting. At the meeting, our inspector of election will tabulate the votes.

Q: Who will serve as inspector of election?

A: Mr. Jay Furrow, our Chief Executive Officer, will serve as our inspector of election.

Q: What is the voting requirement to approve each of the proposals?

A: For the election of directors, the nine persons receiving a plurality of "FOR" votes at the annual meeting will be elected. All other proposals require the affirmative "FOR" vote of a majority of those shares present in person or represented by proxy and entitled to vote on those proposals at the annual meeting. If you hold shares beneficially in street name and do not provide your broker with voting instructions, your shares may constitute "broker non-votes." Generally, broker non-votes occur on a matter when a broker is not permitted to

Edgar Filing: INNOVO GROUP INC - Form DEFR14A

vote on that matter without instructions from the beneficial owner and instructions are not given. Brokers may not vote shares on Proposal 2 without instructions from the beneficial owner of such shares. If the broker is not instructed with respect to Proposal 2, the shares will constitute broker non-votes. In tabulating the voting results for any particular proposal, shares that constitute broker non-votes are not considered entitled to vote on that proposal. Thus, broker non-votes will not affect the outcome of any matter being voted on at the meeting, assuming a quorum is obtained. Abstentions have the same effect as votes against the matter.

Q: What happens if additional proposals are presented at the annual meeting?

A: Other than the three proposals described in this proxy statement, we are not aware of any other business to be acted upon at the annual meeting. If you grant a proxy, the persons named as proxyholders, Samuel J. Furrow, Jr. and Patricia Anderson, will have the discretion to vote your shares on any additional matters properly presented for a vote at the meeting. If for any unforeseen reason any of our nominees for the Board of Directors is not available as a candidate, the persons named as proxyholders will vote your proxy for

4

such other candidate or candidates as may be nominated by the Board of Directors.

Q: What should I do if I receive more than one set of voting materials?

A: You may receive more than one set of voting materials, including multiple copies of this proxy statement and multiple proxy cards or voting instruction cards. For example, if you hold your shares in more than one brokerage account, you may receive a separate voting instruction card for each brokerage account in which you hold shares. If you are a common stockholder of record and your shares are registered in more than one name, you will receive more than one proxy card. Please complete, sign, date and return each proxy card and voting instruction card that you receive.

Q: Who will bear the costs of soliciting votes for the annual meeting?

A: We are making this solicitation and will pay the entire cost of preparing, assembling, printing, mailing and distributing these proxy materials and soliciting votes. In addition to the mailing of these proxy materials, the solicitation of proxies or votes may be made in person, by telephone or by electronic communication by our directors, officers and employees, who will not receive any additional compensation for such solicitation activities.

Q: Where can I find the results of the annual meeting?

A: We will announce preliminary voting results at the annual meeting and publish final results in our quarterly report on Form 10-Q for the third quarter of fiscal 2004.

Q: Where can I obtain a copy of Innovo Group's Annual Report on Form 10-K and Amendment No. 1 to Innovo Group's Annual Report on Form 10-K for the year ended November 29, 2003?

A: A copy of our Annual Report on Form 10-K and Amendment No.1 to our Annual Report on Form 10-K for the year ended November 29, 2003 is enclosed with this proxy statement.

Edgar Filing: INNOVO GROUP INC - Form DEF14A

Q: What if I share an address with another stockholder?

A: In some instances, we may deliver to multiple common stockholders sharing a common address only one copy of this proxy statement and its attachments. If requested by phone or in writing, we will promptly provide a separate copy of the proxy statement and its attachments to a stockholder sharing an address with another stockholder. Requests by phone should be directed to our Corporate Secretary at (323) 725-5516 and requests in writing should be sent to Innovo Group Inc., Attention: Corporate Secretary, 5804 East Slauson Avenue, Commerce, California 90040. Our common stockholders sharing an address who currently receive multiple copies and wish to receive only a single copy should contact their broker or send a signed, written request to us at the address above.

Q: What is the deadline to propose actions for consideration at next year's annual meeting of stockholders or to nominate individuals to serve as directors?

A: You may submit proposals, including director nominations, for consideration at future stockholder meetings. We expect to hold our 2005 annual meeting of stockholders in or around May of 2005. Our common stockholders may submit proposals that they believe should be voted upon at the 2005 annual meeting consistent with regulations of the Securities and Exchange Commission, or SEC, and our bylaws.

5

Pursuant to Rule 14a-8 under the Securities Exchange Act of 1934, some stockholder proposals may be eligible for inclusion in our 2005 proxy statement. Any such stockholder proposals must be submitted in writing to and received by the Corporate Secretary of Innovo Group at 5804 East Slauson Avenue, Commerce, California 90040 no later than January 3, 2005. The submission of a stockholder proposal does not guarantee that it will be included in our proxy statement.

A stockholder may also submit a proposal for consideration outside of Rule 14a-8. Pursuant to Rule 14a-4(c)(1), a stockholder may submit a proposal for consideration at the annual meeting. Any such stockholder proposals to be considered at the annual meeting must be submitted in writing to and received by our Corporate Secretary no later than March 19, 2005. The submission of a stockholder proposal does not guarantee that it will be presented at the annual meeting.

Our common stockholders interested in submitting a proposal are advised to contact knowledgeable legal counsel with regard to the detailed requirements of applicable federal securities laws and the our bylaws, as applicable.

Q: Do I have any appraisal rights under the General Corporation Law of the State of Delaware?

A: Under the General Corporation Law of the State of Delaware, you do not have any appraisal rights in connection with the proposals upon which a vote is scheduled to be taken at this annual meeting of stockholders.

6

INNOVO GROUP INC.
5804 East Slauson Avenue
Commerce, California 90040

Edgar Filing: INNOVO GROUP INC - Form DEFR14A

PROXY STATEMENT

ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON
THURSDAY, JUNE 3, 2004

PROPOSAL 1

ELECTION OF DIRECTORS

Our bylaws provide that our Board of Directors will consist of not less than three directors, with the exact number of directors (subject to such minimum and any range of size established by our common stockholders) to be determined by resolution of our Board of Directors. Currently, our Board of Directors has set the number of directors at nine directors. At our annual meeting, nine directors will be elected to serve until the 2005 annual meeting of stockholders, which is expected to be held in May 2005. Our Board of Directors' nominees for election are set forth below.

In connection with investments by Commerce Investment Group, LLC and other investors affiliated with two of our significant common stockholders, Hubert Guez and Paul Guez, or collectively, the Commerce Group, during August and October 2000, we entered into an investor rights agreement whereby Commerce Group has the right to nominate three individuals for election to our Board of Directors. Additionally, one of Commerce Group's nominees, if elected, will have the right to serve on each of the committees of our Board of Directors. At this time, Commerce Group has not nominated any person to serve as a member on our Board of Directors. Joseph Mizrachi, pursuant to investments made in October 2000, has the right to nominate one individual for election to our Board of Directors, with this individual having the right to serve on the committees of our Board of Directors if elected. Mr. Mizrachi, at this time, has not nominated any person to be elected as a member of our Board of Directors.

Q: What is the vote required to approve Proposal 1?

A: Our Board of Directors will be elected by a plurality vote. Unless otherwise instructed on the proxy, properly executed proxies will be voted for the election of all of the director nominees set forth below. Our Board of Directors believes that all such nominees will stand for election and will serve if elected. However, if any of the persons nominated by the Board of Directors fails to stand for election or is unable to accept election, proxies will be voted by the proxy holders for the election of such other person or persons as the Board of Directors may recommend.

Q: How does the Board of Directors recommend I vote?

A: Our Board of Directors unanimously recommends a vote "FOR" the director nominees listed below.

7

Q: What information is provided with respect to nominees to the Board of Directors?

A: The following table sets forth information regarding our nominees to our Board of Directors:

Edgar Filing: INNOVO GROUP INC - Form DEFR14A

Name ----	Age ---	Position -----	Year Dir ---
Samuel J. (Sam) Furrow	62	Chairman of the Board of Directors	199
Samuel J. (Jay) Furrow, Jr.	30	Chief Executive Officer and Director	199
Patricia Anderson	43	President and Director	199
Marc B. Crossman	32	Chief Financial Officer and Director	199
Suhail R. Rizvi(1) (2) (3)	38	Director	200
Vincent Sanfilippo(1) (2)	38	Director	200
Kent Savage(1) (3)	42	Director	200
Dean Factor	39	Director	200
Kelly Hoffman	46	Nominee for Director	N/A

(1) Member of the Audit Committee

(2) Member of the Compensation and Stock Option Committee

(3) Member of the Nominating and Governance Committee

Q: What is the business experience of the nominees for election to our Board of Directors?

A: The business experience of our nominees for election to our Board of Directors is as follows:

Samuel J. (Sam) Furrow has served as Chairman of our Board of Directors since October 1998. Mr. Furrow became a member of our Board of Directors in April 1998 and served as our Chief Executive Officer from October 1998 until December 2000, after which Patricia Anderson resumed the position. Mr. Furrow also has been Chairman of the Board of Furrow Auction Company, a real estate and equipment sales company with its headquarters in Knoxville, Tennessee, since April 1968; Chairman of Furrow-Justice Machinery Corporation, a six-branch industrial and construction equipment dealer, since 1983; owner of Knoxville Motor Company-Mercedes Benz and Land Rover of Knoxville since December 1980 and July 1997, respectively. Mr. Furrow has been a Director of Southeastern Advertising Inc., an advertising agency, since April 1968; a Director of First American National Bank since September 1993; and a Director of Goody's Family Clothing, Inc. (NASDAQ: GDYS), a publicly traded retail clothing chain, since 1995. Mr. Furrow received his undergraduate and J.D. degree from the University of Tennessee. Sam Furrow is the father of our Chief Executive Officer, Samuel J. (Jay) Furrow, Jr.

Samuel J. (Jay) Furrow, Jr. has served as our Chief Executive Officer since July 2002 and a member of our Board of Directors since January 1999. Prior to that, Mr. Furrow served as our President from December 2000 until July 2002, served as our Chief Operating Officer from April 1999 until March 2003, our Acting Chief Financial Officer from August 2000 until March 2003, and our Vice-President for Corporate Development and In-House Counsel from August 1998 until April 1999. Mr. Furrow currently serves on the Board of Directors of Northgate Innovations, Inc. (NGTE.OB), a publicly traded manufacturer and distributor

of personal computers. Mr. Furrow received his J.D. degree from Southern

Edgar Filing: INNOVO GROUP INC - Form DEFR14A

Methodist University School of Law and his B.S. degree in Political Science from Vanderbilt University. Jay Furrow is the son of the Chairman of our Board of Directors, Samuel J. (Sam) Furrow.

Patricia Anderson has served as our President since July 2002 and a member of our Board of Directors since August 1990. Ms. Anderson served as our Chief Executive Officer from December 2000 until July 2002, our President from August 1990 until December 2000, and Chairman of our Board of Directors from August 1990 until August 1997. Prior to founding Innoovo, Inc., Ms. Anderson worked as Vice President of Sales and Marketing for Lexem, Inc., an import wholesale houseware gift company located in Houston, Texas, from August 1985 until July 1987. Prior to that, Ms. Anderson owned and operated three retail stores focusing on home decorating/gift shops all under the name of Basket Case from November 1979 until April 1983. Ms. Anderson attended the University of Texas and the University of Houston, with a focus on Accounting and Food Management.

Marc B. Crossman has served as our Chief Financial Officer since March 2003 and a member of our Board of Directors since January 1999. Prior to joining our company, Mr. Crossman served as a Vice President and Equity Analyst with J.P. Morgan Securities Inc., New York City, New York, from January 1999 until March 2003. Prior to joining J.P. Morgan Securities, Inc., Mr. Crossman served as a Vice President and Equity Analyst with CIBC Oppenheimer Corporation from September 1997 until January 1999. Mr. Crossman also serves on the Board of Directors of Northgate Innovations, Inc. (NGTE.OB), a publicly traded manufacturer and distributor of personal computers. Mr. Crossman received his B.S. degree in Mathematics from Vanderbilt University.

Suhail R. Rizvi has served as a member of our Board of Directors since April 2003. Mr. Rizvi has served as Chairman of the Board of Directors for the Avatar Group, formerly known as Electronic Manufacturing Services, Inc. a Puerto Rico-based manufacturing company, since December 1995. Mr. Rizvi also serves as a member of the Board of Directors for Varsity Television, a TV network dedicated to teens; Northgate Innovations, Inc. (NGTE.OB), a publicly traded manufacturer and distributor of personal computers; Doublespace Holdings, a brand strategy and web development firm based in New York; and International Sourcing Group, a distributor of electronic components. Mr. Rizvi received his B.S. degree in Economics from the Wharton School of the University of Pennsylvania.

Vincent Sanfilippo has served as a member of our Board of Directors since July 2003. Mr. Sanfilippo is the Chief Investment Officer and Principal of Urdang & Associates Real Estate Advisors, Inc., a real estate investment management firm with a portfolio of real estate investments valued at approximately \$2 billion. Mr. Sanfilippo has been responsible for originating or overseeing the acquisition of approximately \$3 billion of real estate assets during his 15 years with Urdang & Associates. Mr. Sanfilippo received his B.S. degree in Economics from the University of Pennsylvania's Wharton Business School.

Kent Savage has served as a member of our Board of Directors since July 2003. Mr. Savage currently serves as Chief Executive Officer for Northgate Innovations, Inc. (NGTE:OB). Prior to joining Northgate in January 2004, Mr. Savage served as co-founder, Chief Sales and Marketing Officer for TippingPoint,

Technologies (NASDAQ: TPTI) from September 2002 until February 2003. Prior to joining TippingPoint, Mr. Savage served as co-founder, CEO and President for

Edgar Filing: INNOVO GROUP INC - Form DEFR14A

Netpliance, Inc., from February 1999 until August 2001. Prior to joining Netpliance, Mr. Savage served as General Manager, Broadband for Cisco Systems Inc. Service Provider Line of Business from April 1998 until February 1999. Prior to joining Cisco, Mr. Savage served as Vice President, Sales and Marketing for NetSpeed, Inc., from July 1996 until April 1998. Mr. Savage received his B.S. degree in Business from Oklahoma State University, attended University of Virginia's Executive Leadership Program, and his M.B.A. degree from Southern Methodist University.

Dean Factor has served as a member of our Board of Directors since April 2004 when he was elected to fill a vacancy created by the resignation of one of our former directors, Daniel A. Page. Mr. Factor has served as the Chairman of the Board of Directors and Chief Executive Officer of Smashbox Enterprises, which includes Smashbox Studios and Smashbox Cosmetics, since he founded the company in 1990. Prior to founding Smashbox Enterprises, Mr. Factor was a financial analyst and an inventory analyst with Eldon Industries from 1987 until 1989. Prior to that, Mr. Factor worked for Drexel Burnham Lambert from 1981 until 1983. Mr. Factor received his B.S. degree in Business Administration from American University and his M.B.A. from University of Southern California.

Kelly Hoffman was nominated to serve as a member of our Board of Directors unanimously by our existing directors up for re-election at a meeting of our Board of Directors in April 2004. Mr. Hoffman has served as Chairman of the Board of Directors and Chief Executive Officer of VTV: Varsity Television, a television company designed to entertain, enable and inspire teenagers, since he founded the company in 1998. Prior to that, Mr. Hoffman owned AOCO Operating, a company that raised capital for the acquisition of property in Texas, Louisiana and New Mexico from 1991 until 1998. From 1989 until 1991, Mr. Hoffman served in a similar position for Texakoma Financial, an oil and gas partnership that raised capital for acquisition of property in Texas, Louisiana and New Mexico. Prior to that, Mr. Hoffman served in various sales and marketing positions for PAZ Syndicate, a conglomerate based in Tel Aviv, Israel that owned diverse interests worldwide. Prior to that, Mr. Hoffman specialized in securing capital from investors for investment in various limited partnerships for the oil and gas industry for Paso Energy. Prior to that, Mr. Hoffman began his oil and gas career at Amoco Production Company in Texas in various positions. Mr. Hoffman attended Texas Tech University and majored in Business Administration.

Q: What incumbent member of our Board of Directors is not a nominee for election as a member to our Board of Directors?

A: John G. Looney, MD, 62, first elected as a member of our Board of Directors in 1999, was not nominated by a majority of our Board to stand for re-election to our Board of Directors. However, our Board of Directors believe that the proposed slate that they are asking stockholders to vote in favor of better represents the mix of skills and business experience in the industry that would be a benefit to us on a going forward basis. Dr. Looney is a tenured Professor of Psychiatry and an Associate Professor of Pediatrics at Duke University Medical Center and a member of Duke University's faculty since 1986. Dr. Looney received his B.A. degree from Cornell University, his B.M.S. degree from Dartmouth Medical School, his M.D. degree from Southwestern Medical School, and his M.B.A. degree from Southern Methodist University. Dr. Looney will continue to serve as a member of our Board of Directors until his successor is elected by plurality vote for the nominees set forth in Proposal 1 at our annual meeting of stockholders on June 3, 2004.

Edgar Filing: INNOVO GROUP INC - Form DEFR14A

Q: How are the Board of Directors elected and how many meetings were held in fiscal 2003?

A: Each member of our Board of Directors is elected at the annual meeting of stockholders and serves until the next annual meeting of stockholders and until a successor has been elected and qualified or his or her earlier death, resignation or removal. Vacancies on the Board of Directors are filled by a majority vote of the remaining Board of Directors. Our Board of Directors manages us through board meetings and through its committees. During fiscal 2003, our Board of Directors met a total of five times and acted through written consent a total of nine times. No incumbent member of our Board of Directors who served as a director in 2003 attended in person or via teleconference less than 75% of all the meetings of our Board of Directors and the committees on which he or she served during 2003. Although we do not have a formal policy regarding attendance at our annual meeting of stockholders, we attempt to accommodate the schedules of each member of our Board of Directors in choosing a date for our annual meeting of stockholders and our annual meeting of our Board of Directors. In 2003, all of our members of our Board of Directors attended the annual meeting of our Board of Directors either in person or via teleconference. Only one member of our Board of Directors was not in attendance in person at the annual meeting of stockholders on May 22, 2003.

Q: What committees does the Board of Directors have?

A: Our Board of Directors has an Audit Committee, Compensation and Stock Option Committee and Nominating and Governance Committee.

Audit Committee. The Audit Committee is currently comprised of Messrs. Rizvi, Sanfilippo and Savage. In fiscal 2003, our Audit Committee was comprised of Messrs. Rizvi, Looney and Page. Mr Page resigned from our Board of Directors in April 2004. Mr. Rizvi serves as Chairman of the Audit Committee. The Audit Committee met a total of four times in fiscal 2003.

The Audit Committee has been established to: (a) assist our Board of Directors in its oversight responsibilities regarding (1) the integrity of our financial statements, (2) our compliance with legal and regulatory requirements, (3) the independent accountant's qualifications and independence and (4) the performance of the our internal audit function; (b) prepare the report required by the SEC for inclusion in the our annual proxy statement; (c) retain and terminate our independent accountant; (d) approve audit and non-audit services to be performed by the independent accountant; and (e) perform such other functions as our Board of Directors may from time to time assign to the Audit Committee. The Audit Committee has a charter that details its duties and responsibilities, which was adopted by our Board of Directors on May 22, 2003 and filed with this proxy statement as Attachment A. Currently, all Audit Committee members are "independent" under NASDAQ listing standards and as such term is defined in the rules and regulations of the SEC, and Mr. Rizvi has also been designated to be an "audit committee financial expert" as such term is defined in the rules and regulations of the SEC. A copy of the Audit Committee charter can be found on our website at www.innovogroup.com under our Investor Relations heading.

Compensation and Stock Option Committee. The Compensation and Stock Option Committee is currently comprised of Messrs. Rizvi, Looney and Sanfilippo. In fiscal 2003, our Compensation and Stock Option Committee was comprised of Messrs. Rizvi and Looney. Mr. Rizvi serves as Chairman of the Compensation and Stock Option Committee. The Compensation and Stock Option Committee met a total

Edgar Filing: INNOVO GROUP INC - Form DEFR14A

of four times in fiscal 2003.

The principal responsibilities of the Compensation and Stock Option Committee are to (a) assist our Board of Directors in ensuring that a proper system of long-term and short-term compensation is in place to provide performance-oriented incentives to management, and that compensation plans are appropriate and

11

competitive and properly reflect the objectives and performance of management and the company; (b) discharge our Board of Director's responsibilities relating to compensation of our executive officers; (c) evaluate our Chief Executive Officer and set his remuneration package; (d) prepare an annual report on executive compensation for inclusion in our annual proxy statement; (e) make recommendations to our Board of Directors with respect to incentive-compensation plans and equity-based plans; and (f) perform such other functions as our Board of Directors may from time to time assign. The Compensation and Stock Option Committee has a charter that details its duties and responsibilities, which was adopted by our Board of Directors on May 22, 2003. Currently, all Compensation and Stock Option Committee members are "independent" under NASDAQ listing standards. A copy of the Compensation and Stock Option Committee charter can be found on our website at www.innovogroup.com under our Investor Relations heading.

Nominating and Governance Committee. The Nominating and Governance Committee is currently comprised of Messrs. Looney, Rizvi and Savage. In fiscal 2003, our Nominating and Governance Committee was comprised of Messrs. Looney, Rizvi and Page. Mr. Page resigned from our Board of Directors in April 2004. Dr. Looney serves as Chairman of the Nominating and Governance Committee. The Nominating and Governance Committee met a total of two times in fiscal 2003 and also two times prior to April 7, 2004 to propose a slate of nominees for the election by our common stockholders at our annual meeting of stockholders. However, the slate of nominees, as originally proposed by our Nominating and Governance Committee, was not approved by our Board of Directors and a new slate was proposed and voted in favor of our Board of Directors at a special meeting of our Board of Directors held on April 7, 2004. One of our current directors, as discussed above, is not included as a nominee for election at this annual meeting of stockholders to be held on June 3, 2004.

The principal responsibilities of the Nominating and Governance Committee are to (a) assist our Board of Directors in determining the desired experience, mix of skills and other qualities to assure appropriate Board composition, taking into account the current Board members and the specific needs of the company and the Board of Directors; (b) identifying highly qualified individuals meeting those criteria to serve on our Board of Directors; (c) proposing to our Board of Directors a slate of nominees for election by our common stockholders at the annual meeting of stockholders and prospective director candidates in the event of the resignation, death, removal or retirement of directors or a change in our Board of Directors composition requirements; (d) developing plans regarding the size and composition of our Board of Directors and its committees; (e) reviewing management succession plans; (f) reviewing the Corporate Governance Guidelines of our Board of Directors at least annually and monitoring and making recommendations with respect to the corporate governance principles applicable to the company; and (g) such other functions as the Board of Directors may from time to time assign to the Nominating and Governance Committee.

Edgar Filing: INNOVO GROUP INC - Form DEFR14A

The Nominating and Governance Committee has a charter that details its duties and responsibilities, which was adopted by our Board of Directors on May 22, 2003. Currently, all Nominating and Governance Committee members are "independent" under NASDAQ listing standards. There is no specific procedure outlined in the charter for the Nominating and Governance Committee to consider nominees to our Board of Directors that are recommended by our common stockholders, but such nominees will be considered in accordance with the principal responsibilities of the Nominating and Governance Committee, our bylaws and all applicable rules and regulations relating to such nominations by our common stockholders. The Nominating and Governance Committee has the responsibility for developing criteria for the selection of new directors and nominees for vacancies. The members of the Nominating and Governance Committee have the discretion to choose candidates that have the desired experience, mix of skills and other qualities to assure appropriate composition while taking into account the current members and the specific needs of Innoovo Group and our Board of Directors. To date, no more specific criteria has been developed than that set forth in the charter. Furthermore, we have not had a stockholder propose a nominee to our Board of Directors nor have we paid any third party a fee to assist us in the process of identifying or evaluating candidates for our Board of

12

Directors. A copy of the Nominating and Governance Committee charter can be found on our website at www.innovogroup.com under our Investor Relations heading.

Q: How are members of the Board of Directors compensated for their service?

A: For fiscal 2003 and pursuant to our 2000 Director Stock Incentive Plan, each non-employee director receives annual compensation at the first annual meeting of stockholders following his or her appointment and annually thereafter a grant in the form of options to buy common stock with an aggregate fair market value of \$10,000. These options are exercisable beginning one year from the date of grant and expire ten years from the date of grant. The exercise price is set at 50% of the fair market value of the common stock on the date of grant. The discount was originally proposed to be in lieu of director fees. A member of our Board of Directors who is also our employee receives no additional compensation for his or her service as member of our Board of Directors. Members of our Board of Directors who also serve on one or more committees of our Board of Directors do not receive any additional compensation for such service. In addition to this stock option compensation, at the annual meeting of stockholders held on May 22, 2003, our Board of Directors voted to compensate all non-employee directors in the form of a cash payment at an annual rate of \$12,500 for service as a member of our Board of Directors. In the event of approval and adoption of the 2004 Stock Incentive Plan, we will not make any further grants under the 2000 Director Stock Incentive Plan on or after the date of approval and adoption of Proposal 2. Notwithstanding anything to the contrary, any outstanding award granted under the 2000 Director Stock Incentive Plan will remain outstanding in accordance with the terms and conditions of the prior plan and the award agreements evidencing such grants. After the annual meeting of stockholders on June 3, 2004, our Board of Directors will meet to discuss compensation arrangements for members of our Board of Directors for service throughout fiscal 2004.

Q: Has our Board of Directors adopted a code of ethics?

A: Our Board of Directors adopted a Code of Business Conduct and Ethics for all of our directors, officers and employees on May 22, 2003. Our Code of Business

Edgar Filing: INNOVO GROUP INC - Form DEF14A

Conduct and Ethics is available on our website at www.innovogroup.com or you may request a free copy of our Code of Business Conduct and Ethics from our Chief Operating Officer at our corporate headquarters at the following address: 5804 East Slauson Avenue, Commerce, California 90040 or by calling (323) 725-5526.

To date, there have been no waivers under our Code of Business Conduct and Ethics. We intend to disclose any amendments to our Code of Business Conduct and Ethics and any waiver granted from a provision of such Code on a Form 8-K filed with the SEC within five business days following such amendment or waiver or on our website at www.innovogroup.com within five business days following such amendment or waiver. The information contained or connected to our website is not incorporated by reference into this proxy statement and should not be considered a part of this or any other report that we file or furnish to the SEC.

Q: Does our Board of Directors have a process for our common stockholders to communicate with its members?

A: At the present time, our Board of Directors has not adopted a formal policy to set forth a process by which our common stockholders may communicate with its members. However, any communications directed to members of our Board of Directors will be given due consideration and will be handled in accordance with the principal responsibilities of various committees, the duties as a member of our Board of Directors, our bylaws and all applicable rules and regulations relating to communications by our common stockholders.

13

PROPOSAL 2

APPROVAL AND ADOPTION OF THE 2004 STOCK INCENTIVE PLAN

On April 7, 2004, our Board of Directors adopted the 2004 Stock Incentive Plan, or the Plan, subject to stockholder approval at the annual meeting of stockholders to be held on June 3, 2004. We are asking you to approve the adoption of the 2004 Stock Incentive Plan and the reservation of a total of 1,265,172 shares for issuance thereunder. The number of shares reserved for issuance under the 2004 Stock Incentive Plan is equal to the aggregate number of shares remaining for issuance under our 2000 Employee Stock Incentive Plan and our 2000 Director Stock Incentive Plan as of April 29, 2004, or the Prior Plans. If the Plan is approved, we will not make any further grants under the Prior Plans on or after the date of approval and adoption of Proposal 2. Notwithstanding anything to the contrary, any outstanding award granted under the Prior Plans will remain outstanding in accordance with the terms and conditions of those Prior Plans and the award agreements evidencing such grants. The proposed Plan provides for an award of options, whether nonqualified or incentive, restricted common stock, restricted common stock units, performance shares, performance share units, purchases, share awards, stock appreciation rights or other awards based on the value of our common stock.

The Plan permits the Compensation and Stock Option Committee to grant certain awards, such as performance shares, contingent based upon pre-established performance goals to our executives and our subsidiaries. In order to qualify for deductibility under Section 162(m) of the Internal Revenue Code, or the Code, the Plan, including, without limitation, the performance goals for determining performance awards set forth in the Plan must be approved by our common stockholders.

Edgar Filing: INNOVO GROUP INC - Form DEFR14A

Our Board of Directors has concluded that the adoption of the Plan is in our best interest and the interest of our common stockholders. This Plan provides us with greater flexibility with respect to the type and timing of awards to be granted under this Plan than we had previously under our Prior Plans.

Q: What is the vote required to approve Proposal 2?

A: The affirmative vote of a majority of the shares present in person or represented by proxy at the annual meeting is required to approve and adopt the Plan.

Q: How does the Board of Directors recommend I vote?

A: Our Board of Directors unanimously recommends a vote "FOR" the approval and adoption of the Plan.

Q: What is a general description of the principal terms of the Plan?

A: A general description of the principal terms of the Plan is set forth below. However, this summary does not purport to be a complete description of all of the provisions of the Plan, as proposed to be adopted, a copy of which is attached to this proxy statement as Attachment B.

14

General. The purpose of the Plan is to enhance our ability to attract and retain officers, directors, employees and consultants of outstanding ability and to provide selected officers, employees, directors and consultants with an interest in us parallel to that of our common stockholders. The Plan provides for the award of options, whether nonqualified or incentive, restricted common stock, restricted common stock units, performance shares, performance share units, purchases, share awards, stock appreciation rights or other awards based on the value of our common stock to our officers, employees, directors and consultants, as well as those officers, employees, directors and consultants of our subsidiaries, such as Innovo, Inc., Innovo Azteca Apparel, Inc. and Joe's Jeans, Inc.

Effective Date. The Plan will become effective on the date it is approved by our common stockholders in accordance with this Proposal 2.

Number of Shares. Subject to adjustment for certain corporate events, the total of the number of shares of common stock which will be available for the grant of awards under the Plan will not exceed 1,265,172 shares of common stock; provided, that, for purposes of this limitation, any common stock subject to an option which is canceled or expires without exercise will again become available for award under the Plan. Upon forfeiture of awards in accordance with the provisions of the Plan and the terms and conditions of the award, such shares will again be available for subsequent awards under the Plan. Subject to adjustment, no employee will be granted, during any one (1) year period, options to purchase more than 1,250,000 shares of common stock, and the number of shares of common stock subject to any awards other than options or stock appreciation rights will not exceed 1,250,000 shares of common stock. Common stock available for issue or distribution under the Plan will be authorized and unissued shares or shares reacquired by us in any manner.

Administration. The Compensation and Stock Option Committee of our Board of Directors will administer the Plan, or the Committee. The Committee is currently comprised of Messrs. Rizvi, Looney and Sanfilippo. Mr. Rizvi is

Edgar Filing: INNOVO GROUP INC - Form DEFR14A

Chairman of the Committee. Messrs, Rizvi, Looney and Sanfilippo are non-employee directors within the meaning of Rule 16b-3 as promulgated under Section 16 of the Securities Exchange Act of 1934, as amended, and are also outside directors within the meaning of Section 162(m) of the Code. The Committee will (i) approve the selection of participants, (ii) determine the type of stock awards to be made to participants, (iii) determine the number of shares of common stock subject to awards, (iv) determine the terms and conditions of any awards granted there under (including, but not limited to, any restriction and forfeiture conditions on such awards) and (v) have the authority to interpret the Plan, to establish, amend, and rescind any rules and regulations relating to the Plan, to determine the terms and provisions of any agreements entered into there under, and to make all other determinations necessary or advisable for the administration of the Plan.

Eligibility. Employees, officers, directors and consultants of us and our subsidiaries selected by the Committee are eligible to receive grants of awards under the Plan.

Awards. Awards under the Plan may consist of options, restricted common stock, restricted common stock units, performance shares, performance share units, stock purchases, share awards, stock appreciation rights or other awards based on the value of the common stock.

(1) **Options.** Both "nonqualified stock options", or Nonqualified Stock Options, and "incentive stock options", or ISOs, may be granted under the Plan, which we will collectively refer to as Options. The terms of any such Option will be set forth in an option agreement and will be consistent with the following:

15

Exercise Price. The exercise price per share of the shares of our common stock to be purchased pursuant to any Option will be fixed by the Committee at the time such Option is granted. In general, in no event will the exercise price for ISOs be less than the fair market value of a share on the day on which the ISO is granted. The Committee may also reduce the Option price of any outstanding Option either through a direct amendment to such Option or through a cancellation of such Option and immediate grant of a new Option with a lower Option price or in any other manner it deems appropriate.

Option Term. Subject to termination, the duration of each Option will be determined by the Committee, but may not exceed 10 years from the date of grant; provided, however, that in the case of ISOs granted to 10% shareholders, the term of such Option will not exceed 5 years from the date of grant. In the event of a participant's death (other than ISOs) Options that would otherwise remain exercisable following such death, will remain exercisable for one year following such death irrespective of the terms of the Option.

Vesting. An Option will vest and become exercisable at a rate determined by the Committee on the date of grant.

(2) **Restricted Common Stock.** The Plan permits the Committee to award restricted common stock under the Plan to eligible participants. The Committee may also award restricted common stock in the form of restricted common stock units having a value equal to an identical number of shares of common stock. Payment of restricted common stock units will be made in common stock or in cash or in a combination thereof (based upon the Fair Market Value (as defined in the

Edgar Filing: INNOVO GROUP INC - Form DEFR14A

Plan) of the common stock on the day the restricted period expires).

(3) Performance Shares. Performance shares may be granted in the form of actual shares of common stock or common stock units having a value equal to an identical number of shares of common stock. The performance conditions and the length of the performance period will be determined by the Committee, but in no event may a performance period be less than twelve (12) months. The Committee will determine in its sole discretion whether performance shares granted in the form of common stock units will be paid in cash, common stock, or a combination of cash and common stock. Awards of performance shares to Covered Employee (as defined in the Plan) will be subject to performance goals. Performance goals may be expressed in terms of one or more of the following business criteria: revenue, earnings before interest, taxes, depreciation and amortization, or EBITDA, funds from operations, funds from operations per share, operating income, pre or after tax income, cash available for distribution, cash available for distribution per share, net earnings, earnings per share, return on equity, return on assets, share price performance, improvements in our attainment of expense levels, and implementing or completion of critical projects, or improvement in cash-flow (before or after tax). The Committee will establish the relevant performance conditions within ninety (90) days after the commencement of the performance period (or such later date as may be required by Section 162(m) of the Code. A performance goal may be measured over a performance period on a periodic, annual, cumulative or average basis and may be established on a corporate-wide basis or established with respect to one or more operating units, divisions, subsidiaries, acquired businesses, minority investments, partnerships, or joint ventures. The maximum number of performance shares subject to any award to a Covered Employee is 1,250,000 for each twelve (12) months during the performance period (or, to the extent the award is paid in cash, the maximum dollar amount of any such award is the equivalent cash value, based on the fair market value of the common stock, of such number of shares of common stock on the last day of the performance period). An award of performance shares to a participant who is a Covered Employee will (unless the Committee determines otherwise) provide that in the event termination of continuous service prior to the end of

16

the performance period for any reason, such award will be payable only if the applicable performance objectives are achieved and to the extent, if any, as the Committee will determine. The Committee may reduce or eliminate the amount of payment with respect to any award of performance shares notwithstanding the achievement of specified performance objective however, no adjustments will be made that would adversely impact a participant following a change in control.

No payments will be made with respect to any performance award unless and until the Committee certifies the achievement of the performance goals.

(4) Share Purchases. The Compensation and Stock Option Committee may authorize eligible individuals to purchase common stock at price equal to, below or above the fair market value of the common stock at the time of grant.

(5) Share Awards. Subject to such performance and employment conditions as the Committee may determine, awards of common stock or awards based on the value of the common stock may be granted either alone or in addition to other awards granted under the Plan.

(6) Stock Appreciation Rights. The Committee may, either alone or in connection with the grant of another award grant stock appreciation rights, the terms of which will be set forth in an agreement.

Edgar Filing: INNOVO GROUP INC - Form DEFR14A

Change in Control. Unless otherwise provided in an award agreement, upon the occurrence of a "Change in Control" (as defined in the Plan), all options and stock appreciation rights will automatically become vested and exercisable in full and all restrictions or performance conditions, if any, on any common stock awards, restricted common stock, restricted common stock units, performance shares or performance share units granted will automatically lapse.

Adjustments. The Plan provides that in the event of certain corporate events or changes in the common stock, awards and the number of shares under the Plan may be adjusted to reflect such event.

Deferrals. The Committee will be authorized to establish procedures pursuant to which the payment of any award may be deferred.

Amendment and Termination. The Plan will expire on the 10th anniversary of the Plan's effective date (except as to awards outstanding on that date). The Board may terminate or amend the Plan in any respect at any time, except that, no amendment will be made without stockholder approval, if such approval is necessary to comply with any applicable law, regulation or stock exchange rule and, no amendment will be made that would adversely affect the rights of a participant without such participant's written consent, except as provided under Adjustments.

Q: What are the federal income tax consequences of options granted under the Plan, as well as the Prior Plans, under the federal tax laws currently in effect?

The following is a summary of the material federal tax consequences of receiving options in the Plan and is based upon an analysis of the present provisions of the Code and the regulations promulgated thereunder, all of which are subject to change. A participant may also be subject to state and local taxes, the consequences of which are not discussed herein, in the jurisdiction in which he works and/or resides. This summary is for general information purposes only and is not tax advice.

17

Section 162(m) Limitation. Subject to a limited number of exceptions, Section 162(m) of the Code denies a deduction to a publicly held corporation for payments of remuneration to certain employees to the extent the employee's remuneration for the taxable year exceeds \$1,000,000. For this purpose, remuneration attributable to stock options is included within the \$1,000,000 limitation. However, to the extent that certain procedural requirements are met (e.g., the Plan is approved by our common stockholders, grants are made by the Committee, the exercise price is equal to the fair market value of the underlying shares upon grant, etc.), gain from the exercise of stock options should not be subject to the \$1,000,000 limitation. We have attempted to structure the plan in such a manner that the remuneration attributable to the stock options will not be subject to the \$1,000,000 limitation. We have not, however, requested a ruling from the Internal Revenue Service or an opinion of counsel regarding this issue.

Non-Qualified Stock Options. An individual receiving non-qualified stock options should not recognize taxable income at the time of grant. A participant should generally recognize ordinary compensation income in an amount equal to the excess, if any, in the fair market value of the option shares on exercise of the non-qualified stock options over the exercise price thereof. In general, subject to the limitations set forth in Section 162(m) and discussed above, we are entitled to deduct from our taxable income the amount that the participant is required to include in ordinary income at the time of such inclusion.

Edgar Filing: INNOVO GROUP INC - Form DEFR14A

Incentive Stock Options. An individual granted an incentive stock option will not generally recognize taxable income at the time of grant or, subject to certain conditions, at the time of exercise, although he or she may be subject to alternative minimum tax. In general, if a disqualifying disposition should occur (i.e., the shares acquired upon exercise of the option are disposed of within the later of two years from the date of grant or one year from the date of exercise), a participant will generally recognize ordinary compensation income in the year of disposition in an amount equal to the excess, if any, of the fair market value of the option shares at the time of exercise (or, if less, the amount realized on disposition), over the exercise price thereof. We are not entitled to any deduction on account of the grant of the incentive stock options or the participant's exercise of the option to acquire common stock. However, in the event of a subsequent disqualifying disposition of such shares of common stock acquired pursuant to the exercise of an incentive stock option under circumstances resulting in taxable compensation to the participant, subject to the limitations set forth in Section 162(m) and discussed above, in general, we should be entitled to a tax deduction equal to the amount treated as taxable compensation to the participant.

Q: Will the Plan be registered with the SEC?

A: If this Proposal 2 is adopted, we intend to file a registration statement covering the offering of the shares under the Plan with the SEC pursuant to the Securities Act of 1933, as amended.

Q: What would the new Plan benefits have been if the Plan had been in effect for the fiscal 2003 year?

A: The amounts payable under the Plan for 2004 which may be received by each of (a) our executive officers named in the Summary Compensation Table herein; (b) our executive officers as a group; and (c) our employees who are not executive officers as a group, is not currently determinable.

18

PROPOSAL 3

RATIFICATION OF SELECTION OF INDEPENDENT AUDITORS

Our Board of Directors has appointed Ernst & Young LLP, or E&Y, as our independent auditors for the fiscal year ending November 27, 2004, subject to ratification by common stockholders at our annual meeting. Representatives of E&Y will be present at the annual meeting and will have the opportunity to make a statement if they so desire and will be available to respond to appropriate questions.

Q: What is the vote required to approve Proposal 3?

A: The affirmative vote of a majority of the shares present in person or represented by proxy at the annual meeting is required to ratify the selection of E&Y as our independent auditors for the year ending November 27, 2004. Unless otherwise instructed on the proxy, properly executed proxies will be voted in favor of ratifying the appointment of E&Y.

Q: How does the Board of Directors recommend I vote?

A: Our Board of Directors unanimously recommends a vote "FOR" the ratification and approval of the selection of E&Y to serve as our independent auditors for the fiscal year ending November 27, 2004.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table provides information as of April 29, 2004 concerning beneficial ownership of common stock held by (1) each person or entity known by us to beneficially own more than 5% of our outstanding common stock, (2) each of our directors and nominees for election as a director, (3) each of our named executive officers, and (4) all of our directors and executive officers as a group. The information as to beneficial ownership has been furnished by our respective common stockholders, directors and executive officers, and, unless otherwise indicated, each of our common stockholders has sole voting and investment power with respect to the shares beneficially owned. Beneficial ownership is determined under the rules of the SEC and generally includes voting or investment power with respect to securities.

Unless indicated below, to our knowledge, the persons and entities named in the table have sole voting and sole investment power with respect to all shares beneficially owned, subject to community property laws where applicable. Pursuant to the rules of the SEC, certain shares of our common stock that a beneficial owner set forth in this table has a right to acquire within 60 days of the date hereof pursuant to the exercise of options or warrants for the purchase of shares of common stock are deemed to be outstanding for the purpose of computing the percentage ownership of that owner but are not deemed outstanding for the purpose of computing percentage ownership of any other beneficial owner shown in the table. Percentages are calculated based on 29,161,350 shares outstanding as of April 26, 2004. The address for the officers and directors is our corporate office located at 5804 East Slauson Avenue, Commerce, California, 90040.

Beneficial Owner -----	Number of Shares Beneficially Owned -----	Perce Comm -----
Samuel J. (Jay) Furrow, Jr. Chief Executive Officer and Director Nominee for Director	1,386,604 (1)	
Patricia Anderson President and Director Nominee for Director	683,146 (2)	
Marc B. Crossman Chief Financial Officer and Director Nominee for Director	712,015 (3)	
Shane Whalen Chief Operating Officer	50,000 (4)	
Samuel J. (Sam) Furrow Chairman of Board of Directors Nominee for Director	3,148,305 (5)	
John G. Looney, MD Director	196,207 (6)	

Edgar Filing: INNOVO GROUP INC - Form DEFR14A

20

Beneficial Owner -----	Number of Shares Beneficially Owned -----
Suhail R. Rizvi Director Nominee for Director	7,692 (7)
Vincent Sanfilippo Director Nominee for Director	0
Kent Savage Director Nominee for Director	0
Dean Factor Director Nominee for Director	10,000
Kelly Hoffman Nominee for Director	0
Azteca Production International, Inc. Over 5% Stockholder 5804 East Slauson Avenue Commerce, California 90040	3,825,000 (8)
Commerce Investment Group LLC Over 5% Stockholder 5804 East Slauson Avenue Commerce, California 90040	1,837,500 (9)
Hubert Guez Over 5% Stockholder 5804 East Slauson Avenue Commerce, California 90040	2,656,828 (10)
Paul Guez Over 5% Stockholder 5804 East Slauson Avenue Commerce, California 90040	4,765,286 (11)
Seymour Braun, Innvation LLC, Yardworth Mortgage Corp., and Praha Trust Over 5% Stockholder Braun & Goldberg 110 East 59th Street, Suite 3201 New York, New York 10022	2,547,820 (12)
All directors and executive officers, as a group (10 persons)	6,193,969 -----
	(1) (2) (3) (4) (5) (6) (7)

* Represents beneficial ownership of less than 1%.

- (1) Includes (i) 1,136,604 shares held for the personal account of Jay Furrow; and (ii) 250,000 shares issuable upon the exercise of currently exercisable (or exercisable within 60 days) options held for Mr. Furrow's personal account.
- (2) Includes (i) 283,146 shares held for Ms. Anderson's personal account; and (ii) 400,000 shares issuable upon the exercise of currently exercisable (or exercisable within 60 days) options held for Ms. Anderson's personal account.
- (3) Includes (i) 43,500 shares held for Mr. Crossman's personal account; and (ii) 668,515 shares issuable upon the exercise of currently exercisable (or exercisable within 60 days) options held for Mr. Crossman's personal account.
- (4) Includes 50,000 shares issuable upon the exercise of currently exercisable (or exercisable within 60 days) options held for Mr. Whalen's personal account.
- (5) Includes (i) 3,083,598 shares held for the personal account of Sam Furrow; (ii) 51,207 shares issuable upon the exercise of currently exercisable (or exercisable within 60 days) options held for Mr. Furrow's personal account; and (iii) 15,300 shares beneficially owned by Ann Furrow, Mr. Furrow's wife, as to which such shares Mr. Furrow disclaims beneficial ownership.
- (6) Includes (i) 145,000 shares held for Dr. Looney's personal account; and (ii) 51,207 shares issuable upon the exercise of currently exercisable (or exercisable within 60 days) options held for Dr. Looney's personal account.
- (7) Includes 7,692 shares issuable upon the exercise of currently exercisable (or exercisable within 60 days) options held for Mr. Rizvi's personal account.
- (8) Includes (i) 1,625,000 shares held for the account of Azteca Production International, Inc., or Azteca, an entity jointly owned by Mr. Hubert Guez and Mr. Paul Guez, as to which such shares Mr. Hubert Guez exercises sole voting and investment control; and (ii) 2,200,000 shares held for the account of Azteca, an entity jointly owned by Mr. Hubert Guez and Mr. Paul Guez, as to which such shares Mr. Paul Guez exercises sole voting and investment control. This information is based upon a Schedule 13D/A filed with the SEC on April 28, 2004.
- (9) Includes (i) 707,928 shares held for the account of Commerce

Edgar Filing: INNOVO GROUP INC - Form DEFR14A

Investment Group, LLC, a California limited liability company, or CIG, an entity jointly owned by Mr. Hubert Guez and Mr. Paul Guez, as to which such shares Mr. Hubert Guez exercises sole voting and investment control; (ii) 829,572 shares held for the account of CIG as to which such shares Mr. Paul Guez exercises sole voting and investment control; and (iii) 300,000 shares issuable upon exercise of currently exercisable warrants held for CIG's account, as to which such shares Mr. Hubert Guez exercises sole voting and investment control. This information is based upon a Schedule 13D/A filed with the SEC on April 28, 2004.

22

- (10) Includes (i) 23,900 shares held for the personal account of Hubert Guez; (ii) 707,928 shares held for the account of CIG, an entity jointly owned by Mr. Hubert Guez and Mr. Paul Guez, as to which such shares Mr. Hubert Guez exercises sole voting and investment control; (iii) 300,000 shares issuable upon exercise of currently exercisable warrants held for the account of CIG, as to which such shares Mr. Hubert Guez exercises sole voting and investment control; and (iv) 1,625,000 shares held for the account of Azteca, an entity jointly owned by Mr. Hubert Guez and Mr. Paul Guez, as to which such shares Mr. Hubert Guez exercises sole voting and investment control. This information is based upon a Schedule 13D/A filed with the SEC on April 28, 2004.
- (11) Includes (i) 2,200,000 shares held for the account of Azteca, an entity jointly owned by Mr. Hubert Guez and Mr. Paul Guez, as to which such shares Mr. Paul Guez exercises sole voting and investment control; (ii) 829,572 shares held for the account of CIG, an entity jointly owned by Mr. Hubert Guez and Mr. Paul Guez and as to which such shares Mr. Paul Guez exercises sole voting and investment control; (iii) 285,714 shares held for the account of S.H.D. Investments, LLC, a California limited liability company for which Mr. Paul Guez serves as President and as to which such shares Mr. Paul Guez exercises sole voting and investment control; and (iv) 1,450,000 shares held for the account of Integrated Apparel Resources, LLC, a California limited liability company jointly owned by Mr. Hubert Guez and Mr. Paul Guez, as to which such shares Mr. Paul Guez exercises sole voting and investment control. This information is based upon a Schedule 13D/A filed with the SEC on April 28, 2004.
- (12) Innvation, LLC, a Delaware limited liability company, is owned 85% by Yardworth Mortgage Corp., or Yardworth, a corporation organized under the laws of Aruba. The beneficial owner of Yardworth is Praha Trust, a trust organized under the laws of Canada. As sole trustee of Praha Trust, Mr. Seymour Braun has the right to vote all shares owned by Innvation, LLC. This information is based upon a Form 4 filed with the SEC on February 9, 2004.

23

EXECUTIVE OFFICERS

Edgar Filing: INNOVO GROUP INC - Form DEFR14A

Executive Officers

Our executive officers and their ages and positions as of April 29, 2004 are as follows:

Name ----	Age ---	Position -----
Samuel J. (Jay) Furrow, Jr.....	30	Chief Executive Officer and Director
Patricia Anderson.....	43	President and Director
Marc B. Crossman.....	32	Chief Financial Officer and Director
Shane Whalen.....	33	Chief Operating Officer

Samuel J. (Jay) Furrow, Jr. has served as our Chief Executive Officer since July 2002 and a member of our Board of Directors since January 1999. Prior to that, Mr. Furrow served as our President from December 2000 until July 2002, served as our Chief Operating Officer from April 1999 until March 2003, our Acting Chief Financial Officer from August 2000 until March 2003, and our Vice-President for Corporate Development and In-House Counsel from August 1998 until April 1999. Mr. Furrow currently serves on the Board of Directors of Northgate Innovations, Inc. (NGTE.OB), a publicly traded manufacturer and distributor of personal computers. Mr. Furrow received his J.D. degree from Southern Methodist University School of Law and his B.S. degree in Political Science from Vanderbilt University. Jay Furrow is the son of the Chairman of our Board of Directors, Samuel J. (Sam) Furrow.

Patricia Anderson has served as our President since July 2002 and a member of our Board of Directors since August 1990. Ms. Anderson served as our Chief Executive Officer from December 2000 until July 2002, our President from August 1990 until December 2000, and Chairman of our Board of Directors from August 1990 until August 1997. Prior to founding Innovo, Inc., Ms. Anderson worked as Vice President of Sales and Marketing for Lexem, Inc., an import wholesale houseware gift company located in Houston, Texas, from August 1985 until July 1987. Prior to that, Ms. Anderson owned and operated three retail stores focusing on home decorating/gift shops all under the name of Basket Case from November 1979 until April 1983. Ms. Anderson attended the University of Texas and the University of Houston, with a focus on Accounting and Food Management.

Marc B. Crossman has served as our Chief Financial Officer since March 2003 and a member of our Board of Directors since January 1999. Prior to joining our company, Mr. Crossman served as a Vice President and Equity Analyst with J.P. Morgan Securities Inc., New York City, New York, from January 1999 until March 2003. Prior to joining J.P. Morgan Securities, Inc., Mr. Crossman served as a Vice President and Equity Analyst with CIBC Oppenheimer Corporation from September 1997 until January 1999. Mr. Crossman also serves on the Board of Directors of Northgate Innovations, Inc. (NGTE.OB), a publicly traded manufacturer and distributor of personal computers. Mr. Crossman received his B.S. degree in Mathematics from Vanderbilt University.

Shane Whalen has served as our Chief Operating Officer since April 2003. Prior to that, Mr. Whalen served as our Vice President of Corporate Development from October 2002 until April 2003. Prior to joining our company, Mr. Whalen was an independent business consultant from November 2000 until September

Edgar Filing: INNOVO GROUP INC - Form DEFR14A

2002. Prior to that, Mr. Whalen served as Chief Operating Officer for Next Generation, LLC, an entertainment production company, from August 1998 until November 2000. Prior to that, Mr. Whalen served as Manager of Financial Services & Transportation for Accenture Consulting from January 1994 until August 1998. Mr. Whalen received his B.A. degree in Economics from Vanderbilt University.

Other Significant Employees

Joe Dahan has served as the President and head designer for our Joe's Jeans, Inc. subsidiary, or Joe's, since its formation in February 2001. Mr. Dahan is responsible for the design, development and marketing of Joe's products. Prior to Joe's, Mr. Dahan was the head designer for Azteca Production International, Inc., or Azteca, where he was responsible for the design, development and merchandising of product lines developed by Azteca from 1996 until 2001. Azteca, which is owned by two of our significant common stockholders, is one of the world's largest manufacturers of denim related products. Prior to his employment with Azteca, Mr. Dahan was engaged in the design and development of apparel products for a company of which he was an owner and operator from 1989 until 1996.

Pierre Levy has served as our General Manager of Apparel Operations since February 2003. Prior to that, Mr. Levy was our Head of Product Sourcing from July 2003 until February 2003. Mr. Levy initially joined our company in connection with our acquisition of the Blue Concept division from Azteca, as discussed in "Related Party Transactions" in this proxy statement. While at Azteca, Mr. Levy served as the Chief Operating Officer with the primary responsibility of managing thousands of employees in the United States and Mexico and ensuring the manufacturing of millions of garments per month for brands such as Tommy Hilfiger, Calvin Klein, J. Crew, American Eagle Outfitters and Bongo. Prior to joining Azteca, Mr. Levy was the owner and President of Olive, a Los Angeles based manufacturing company focusing on the design, marketing and distribution of apparel products worldwide.

Compensation Committee Interlocks and Insider Participation

During 2003, the Compensation and Stock Option Committee of our Board of Directors was comprised of Dr. Looney and Mr. Rizvi. The Compensation and Stock Option Committee is responsible for determining the salaries and incentive compensation of our executive officers and for providing recommendations for the salaries and incentive compensation of all other employees and consultants. The Compensation and Stock Option Committee also administers our benefit plans, including the 2000 Employee Stock Incentive Plan. Mr. Rizvi serves as Chairman of the Compensation and Stock Option Committee. Neither Mr. Rizvi nor Dr. Looney has served as an executive officer or employee of Innovo Group. However, beginning in December 2003, Messrs. Furrow and Crossman, two of our executive officers and members of our Board of Directors, became members of the Board of Directors for Northgate Innovations, Inc. (NGTE.OB), of which Mr. Savage currently serves as Chief Executive Officer. Furthermore, one additional member of our Board of Directors, Mr. Rizvi, also serves as a member of the Board of Directors for Northgate Innovations, Inc. (NGTE.OB). Neither Mr. Furrow nor Mr. Crossman is a member of the Compensation Committee of the Board of Directors for Northgate Innovations, Inc. (NGTE.OB).

Executive Compensation

The following table sets forth certain information with respect to compensation for the years ended November 29, 2003, November 30, 2002 and

Edgar Filing: INNOVO GROUP INC - Form DEFR14A

December 1, 2001, respectively, paid to our chief executive officer and our other most highly compensated executive officers as of November 29, 2003. In this proxy statement, we refer to these individuals as our Named Executive Officers.

Summary Compensation Table

Name and Principal Position	Year	Annual Compensation			Long Term Compe nse Awa rds
		Salary	Bonus	Other Annual Compensation (\$)	
Samuel J. Furrow, Jr Chief Executive Officer	2003	\$275,000	--	--	10
	2002	160,000	--	--	15
	2001	143,000	--	--	15
Patricia Anderson President	2003	\$275,000	--	--	10
	2002	206,000	--	--	30
	2001	200,000	--	--	30
Marc B. Crossman Chief Financial Officer	2003	\$275,000	--	\$ 12,000 (2)	1,000
	2002	--	--	--	1
	2001	--	--	--	1
Shane Whalen Chief Operating Officer	2003	\$125,000	--	\$ 1,000 (2)	5
	2002	9,170 (4)	--	--	
	2001	--	--	--	

(1) No executive officer received restricted stock awards or option grants during the fiscal year ending November 30, 2002.

(2) This amount represents payments made in connection with relocation expenses.

(3) These options were issued in fiscal 2002 in connection with Mr. Crossman's service during fiscal 2001 and fiscal 2002 as a non-employee member of our Board of Directors.

(4) Mr. Whalen commenced employment with us in October 2002 as our Vice President of Corporate Development.

Employment Contracts, Termination of Employment and Change in Control

We have not entered into any employment or severance agreements with any of our Named Executive Officers. However, in connection with Mr. Crossman's option agreement, in the event of a change in control of the company, all of Mr. Crossman's options, to the extent not otherwise exercisable, will immediately become exercisable.

Edgar Filing: INNOVO GROUP INC - Form DEFR14A

The following table sets forth the stock options we granted during the fiscal year ended November 29, 2003 to each of our named executive officers. We have never granted any stock appreciation rights.

Amounts shown as potential realizable values are based on compounded annual rates of share price appreciation of five and ten percent over the 10-year term of the options, as mandated by rules of the SEC, and are not indicative of expected share price performance. Actual gains, if any, on share option exercises are dependent on future performance of the overall market conditions, as well as the option holders' continued employment through the vesting period. The amounts reflected in this table may not necessarily be achieved or may be exceeded. The indicated amounts are net of the option exercise price but before taxes that may be payable upon exercise.

Option Grants in the Fiscal Year Ended November 29, 2003

Individual Grants

Name	Number of Securities Underlying Options Granted (#)	% of Total Options Granted to Employees in Fiscal Year	Exercise or Base Price (\$/Sh)	Expiration Date
Samuel J. Furrow, Jr.	100,000	8%	\$2.40	12/02/07
Patricia Anderson	100,000	8%	\$2.40	12/02/07
Marc B. Crossman	1,000,000	77%	\$2.86	3/25/13
Shane Whalen	50,000	4%	\$2.60	5/22/13

27

Fiscal Year End Option Values

The following table sets forth certain information with respect to stock options exercised by the Named Executive Officers during the fiscal year ended November 29, 2003. In addition, the table sets forth the number of shares covered by unexercised stock options held by the Named Executive Officers as November 29, 2003, and the value of "in-the-money" stock options, which represents the positive spread between the exercise price of a stock and the market price of the shares subject to such option as of November 29, 2003.

Aggregated Option Exercises in Fiscal Year Ended November 29, 2003 and Fiscal Year End Option Values

Shares Acquired	Value Realized	Number of Securities Underlying Unexercised Options at FY-End (#)	Exercisable/
		-----	-----

Edgar Filing: INNOVO GROUP INC - Form DEFR14A

Name	on Exercise (#)	(\$)	Unexercisable
Samuel J. Furrow, Jr.	0	\$ 0	350,000 (2) / 0
Patricia Anderson	0	\$ 0	400,000 / 0
Marc B. Crossman	0	\$ 0	476,848 (2) / 666,667
Shane Whalen	0	\$ 0	25,000 / 25,000

(1) Based on a closing price per share of \$4.10 for the Common Stock on Friday, November 28, 2003, as reported by the NASDAQ SmallCap Market.

(2) Includes 100,000 shares that expired unexercised on February 24, 2004 at an exercise price of \$4.75.

28

Option Repricing

The following table sets forth information concerning the repricing of options held by Marc Crossman, our Chief Financial Officer, with respect to options that were originally granted in connection with commencement of his employment as our Chief Financial Officer. However, on the original date of the grant of the options to Mr. Crossman, there were not enough shares authorized under the 2000 Employee Stock Incentive Plan to grant Mr. Crossman the options. As a result, Mr. Crossman's options were cancelled and reissued upon stockholder approval of an increase in shares authorized and available for grant under the 2000 Employee Stock Incentive Plan. The term of the reissued option was 10 years rather than the 20 year term of the original option.

Ten Year Option Repricings

Name and Position	Date	Number of Securities Underlying Options Repriced or Amended (#)	Market Price of Stock at Time of Repricing or Amendment (\$)	Exercise Price at Time of Repricing or Amendment (\$)
Marc B. Crossman Chief Financial Officer and Director	5/22/03	1,000,000	\$2.60	\$2.86

401(k) Plan

On December 1, 2002, we established a tax qualified defined contribution 401(k) Profit Sharing Plan. All employees who have worked for us for 30 consecutive days may participate in the 401(k) Profit Sharing Plan and may contribute up to 100% of their salary to the plan. Our elective matching contributions may be made on a discretionary basis. All employees who have

Edgar Filing: INNOVO GROUP INC - Form DEFR14A

worked 500 hours qualify for profit sharing in the event at the end of each year we decide to do so. Costs of the plan charged to operations were \$20,000 for the year ended November 29, 2003.

29

Equity Compensation Plan Information

The following table sets forth certain information about our common stock that may be issued upon the exercise of options, warrants and rights under all of the our compensation plans (including individual compensation arrangements) under which our equity securities are authorized for issuance, which includes our 2000 Employee Stock Incentive Plan and 2000 Director Stock Incentive Plan. As discussed previously in Proposal 2, in the event of approval and adoption of the 2004 Stock Incentive Plan, we will not make any further grants under the 2000 Employee Stock Incentive Plan and 2000 Director Stock Incentive Plan on or after the date of approval and adoption of Proposal 2. Notwithstanding anything to the contrary, any outstanding award granted under the 2000 Employee Stock Incentive Plan and 2000 Director Stock Incentive Plan will remain outstanding in accordance with the terms and conditions of those prior plans and the award agreements evidencing such grants.

Plan Category -----	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights -----	Weighted Average Exercise Price of Outstanding Options, Warrants and Rights -----
	(a)	(b)
Equity Compensation Plans approved by security holders (1):		
2000 Employee Plan	2,030,000	\$2.19
2000 Director Plan	204,828	\$0.78
Equity Compensation Plans not approved by security holders:		
Samuel J. Furrow, Jr. (2)	100,000	\$4.75
Marc B. Crossman (2)	100,000	\$4.75

TOTAL	2,434,828	
	=====	

(1) See "2000 Employee Stock Incentive Plan" and "2000 Director Stock Incentive Plan" described herein.

(2) Includes 100,000 shares subject to currently exercisable options pursuant to an option grant made in February 1999 with an exercise price of \$4.75 per share that expired unexercised in February 2004. The option grant was made in connection with the initial appointment as a member of our Board of Directors.

30

Edgar Filing: INNOVO GROUP INC - Form DEFR14A

STOCK PLANS

2000 Employee Stock Incentive Plan

The 2000 Employee Stock Incentive Plan, or the 2000 Employee Plan, provides for the grant of options to our officers, employees and consultants and to our affiliates. The 2000 Employee Plan continues in effect until March 2010 unless terminated earlier, as discussed herein. The 2000 Employee Plan was amended at the annual meeting of stockholders held on May 22, 2003 to increase the number of shares available for issuance under the 2000 Employee Plan from 1,000,000 to 3,000,000, as well as to increase the number of shares that may be issued to any one individual under the 2000 Employee Plan in any calendar year from 500,000 to 1,250,000. Options granted under the 2000 Employee Plan may be either "incentive stock options", or ISOs, within the meaning of Section 422 of the Code or nonqualified stock options, or NQSOs. As discussed previously in Proposal 2, in the event of approval and adoption of the 2004 Stock Incentive Plan, we will not make any further grants under the 2000 Employee Plan on or after the date of approval and adoption of Proposal 2. Notwithstanding anything to the contrary, any outstanding awards granted under the 2000 Employee Plan will remain outstanding in accordance with the terms and conditions of the prior plan and the award agreements evidencing such grants.

The 2000 Employee Plan is administered by the Compensation and Stock Option Committee of our Board of Directors. The Compensation and Stock Option Committee of our Board of Directors has been delegated the full authority in its discretion to determine which of our officers, key employees, consultants or affiliates will be granted stock options and to determine the terms and provisions of such stock incentive options, subject to the requirements and limitations of the 2000 Employee Plan. Subject to the provisions of the 2000 Employee Plan, the Compensation and Stock Option Committee of our Board of Directors has full and conclusive authority to interpret the 2000 Employee Plan, to prescribe, amend and rescind rules and regulations relating to the 2000 Employee Plan, to determine the terms and provisions of the respective stock incentive agreements and to make all other determinations necessary or advisable for the proper administration of the 2000 Employee Plan.

The 2000 Employee Plan is intended to: (a) provide incentive to our officers and key employees and our affiliates to stimulate their efforts toward our continued success and to operate and manage the business in a manner that will provide for our long-term growth and profitability; (b) encourage stock ownership by officers and key employees by providing them with a means to acquire a proprietary interest in us, acquire shares of stock, or to receive compensation which is based upon appreciation in the value of the stock; and (c) provide means of obtaining, rewarding and retaining key personnel and consultants.

The number of shares of stock as to which a stock incentive may be granted will be determined by the Compensation and Stock Option Committee of our Board of Directors, in its sole discretion, subject to the limitations of the 2000 Employee Plan. To the extent required under Section 162(m) of the Code and the regulations thereunder for compensation to be treated as qualified performance based compensation, the maximum number of shares of stock with respect to which options may be granted during any one year period to any employee may not exceed 1,250,000.

Stock option grants issued under the 2000 Employee Plan may be granted only to our officers, key employees, consultants or to any of our affiliates. The aggregate fair market value (determined as of the date an ISO is granted) of stock with respect to which stock options intended to meet the requirements of Section 422 of the Code become exercisable for the first time by an individual during any calendar year under all of our

plans and our subsidiaries may not exceed \$100,000; provided further, that if the limitation is exceeded, the ISOs which cause the limitation to be exceeded will be treated as NQSOs.

The 2000 Employee Plan was adopted by our Board of Directors on March 12, 2000 and approved by our common stockholders at the 2000 annual meeting of stockholders and amended at the at the annual meeting of stockholders held on May 22, 2003. Up to 3,000,000 shares of our common stock, subject to adjustment as provided in the 2000 Employee Plan, may be issued under the 2000 Employee Plan. As of April 29, 2004, 2,030,000 shares have been issued under our 2000 Employee Plan. Awards under the 2000 Employee Plan are discretionary. Therefore, it is not possible to determine the benefits that will be received in the future by participants in the 2000 Employee Plan. As discussed previously in Proposal 2, in the event of approval and adoption of the 2004 Stock Incentive Plan, we will not make any further grants under the 2000 Employee Stock Incentive Plan on or after the date of approval and adoption of Proposal 2.

2000 Director Stock Incentive Plan

The purpose of the 2000 Director Stock Incentive Plan, or 2000 Director Plan, is to permit the granting of stock options to our Board of Directors who are not our employees at an exercise price less than market value at the date of grant in lieu of paying Board of Directors' fees in cash, thereby advancing our interests by encouraging and enabling the acquisition of our common stock by our Board of Directors whose judgment and ability we rely upon for the attainment of our long-term growth and development. However, beginning in fiscal 2003, we commenced paying all non-employee directors a cash fee in addition to this grant of stock options. The 2000 Director Plan is intended to promote a close identity of interest among us, our Board of Directors, and our common stockholders, as well as to provide a means to attract and attain well-qualified members of our Board of Directors. The 2000 Director Plan was adopted by our Board of Directors on September 13, 2000 and approved by our common stockholders at the 1999 annual meeting of stockholders. As discussed previously in Proposal 2, in the event of the approval and adoption of the 2004 Stock Incentive Plan, we will not make any further grants under the 2000 Director Plan on or after the date of approval and adoption of Proposal 2. Notwithstanding anything to the contrary, any outstanding awards granted under the 2000 Director Plan will remain outstanding in accordance with the terms and conditions of the prior plan and the award agreements evidencing such grants.

There are authorized for issuance or delivery upon the exercise of options to be granted from time to time under the 2000 Director Plan an aggregate of 500,000 shares of our common stock, subject to adjustment as provided in the 2000 Director Plan. As of April 29, 2004, 204,828 shares have been issued under the 2000 Director Plan. The 2000 Director Plan is administered by the Compensation and Stock Option Committee of our Board of Directors, which will consist of not less than three members, all of whom will be deemed to be independent, and appointed by our Board of Directors.

Pursuant to our 2000 Director Plan, each non-employee director receives annual compensation at the first annual meeting of stockholders following his or her appointment and annually thereafter a grant in the form of options to buy common stock with an aggregate fair market value of \$10,000. These options are exercisable beginning one year from the date of grant and expire ten years from

Edgar Filing: INNOVO GROUP INC - Form DEFR14A

the date of grant. The exercise price is set at 50% of the fair market value of the common stock on the date of grant. This discount was originally proposed in lieu of directors' fees. A member of our Board of Directors who is also an employee of ours receives no additional compensation for his or her service as member of our Board of Directors. Members of our Board of Directors who also serve on one or more committees of the Board of Directors do not receive any additional compensation for such service. In addition to this stock option compensation, at the annual meeting of stockholders on May 22, 2003, our Board of Directors voted to compensate in cash each non-

32

employee director at an annual rate of \$12,500 for service as a member of our Board of Directors. After the annual meeting of stockholders on June 3, 2004, our Board of Directors will meet to discuss compensation arrangements for members of the Board of Directors for service in fiscal 2004.

Each option has an exercise price equal to one-half of the market price on the date of grant, and covers a number of shares equal to \$10,000 divided by the exercise price per share. The market price is determined as of the close of business on the day of our Board meeting immediately following our annual shareholder meeting. The 2000 Director Plan will continue in effect until September 2010, unless terminated earlier, as discussed above. Options granted under the 2000 Director Plan are nonqualified stock options. During fiscal 2003, each of our non-employee directors received an option to purchase up to 7,692 shares of our common stock with an exercise price of \$1.30 per share vesting on a monthly basis beginning May 22, 2003 under our 2000 Director Plan in addition to cash fees. These options have a ten year term and expire on May 22, 2013.

REPORT OF THE COMPENSATION AND STOCK OPTION COMMITTEE

As our business grows, our Compensation and Stock Option Committee expects to work closely with management to design an executive compensation program to assist us in attracting and retaining needed outstanding executives and senior management personnel. The design and implementation of such program will evolve as needed, but will be based primarily on two elements: (i) providing compensation opportunities that are competitive with competing companies of similar size; and (ii) linking executives' compensation with our or a division's financial performance by rewarding the achievement of our short-term and long-term objectives.

The three principal components of the executive compensation program are annual base salary, short-term incentive compensation in the form of performance bonuses payable in cash each year, and long-term incentive compensation in the form of stock options and other equity awards. In fiscal 2003, we needed to attract additional executive management through our compensation arrangement, including our Chief Financial Officer and our Chief Operating Officer. Our executive officers are elected on an annual basis and serve at the discretion of our Board of Directors.

Mr. Jay Furrow became Chief Executive Officer in July 2002, succeeding Ms. Patricia Anderson, who currently serves as our President. Prior to December 2002, the annual base salary for Mr. Furrow and Ms. Anderson was \$150,000 and \$200,000, respectively. In December of 2002, the annual compensation for both Mr. Furrow and Ms. Anderson was increased to \$275,000 in base salary and each person received a stock option to purchase up to 100,000 shares of common stock with an exercise price of \$2.40 per share expiring in December 2007.

During fiscal 2003, the Compensation and Stock Option Committee met a total of four times. At the November 27, 2002 meeting, the compensation

Edgar Filing: INNOVO GROUP INC - Form DEFR14A

arrangement discussed above for Mr. Furrow and Ms. Anderson was approved. Upon the appointment of Marc Crossman as Chief Financial Officer, Mr. Crossman was hired at the same base salary as Mr. Furrow and Ms. Anderson and was granted an option to purchase up to 1,000,000 shares of our common stock, as discussed elsewhere in this proxy statement. The original compensation arrangement, as well as Mr. Crossman's compensation arrangement, was recommended by the Compensation and Stock Option Committee and approved by the full Board of Directors and was based on individual performance and analysis of compensation for the positions at comparative companies.

Neither Ms. Anderson, Mr. Furrow nor Mr. Crossman has an employment agreement with us, but Mr. Crossman does have a change in control provision in his stock option grant which provides for immediate

33

vesting of all options to the extent not otherwise exercisable will immediately become exercisable in the event of a change in control of the company, as discussed elsewhere in this proxy statement.

The SEC requires that this report of the Compensation and Stock Option Committee comment on our policy with respect to Section 162(m) of the Code which limits the deductibility of our tax return of nonperformance-based compensation in excess of \$1 million dollars paid to any of our named executive officers. The Compensation and Stock Option Committee is monitoring the effects of our compensation program with respect to Section 162(m) of the Code. To date, we have not suffered a loss of compensation as a result of the \$1 million dollar limitation. The Compensation and Stock Option Committee reserves the right to design programs that recognize a full range of performance criteria critical to our success, even where the compensation paid under such programs may not be deductible.

REPORT ON CEO COMPENSATION

Mr. Furrow's 2003 annual base salary and grant of stock options were based on the overall principles of executive compensation described above. The Compensation and Stock Option Committee reviewed Mr. Furrow's compensation and overall assessment of his performance during its November 2002 meeting. As discussed above, we made adjustments to Mr. Furrow's base salary to be effective in December 2002 at the beginning of our first fiscal 2003 quarter and granted him additional stock options in order to realign his compensation with market and organizational considerations. Upon the hiring of Mr. Crossman in March 2003, the Compensation and Stock Option Committee again reviewed Mr. Furrow's 2003 annual base salary and grant of stock options and concluded that his annual base salary and grant of stock options were consistent with the overall performance of the company and industry standards for executives with similar responsibilities in similar companies.

The Compensation and Stock Option Committee:

Suhail R. Rizvi, Chairman of the Compensation and Stock Option
Committee
John G. Looney, MD

REPORT OF THE AUDIT COMMITTEE

In accordance with the written charter of the Audit Committee, which was adopted by our Board of Directors on May 22, 2003, the Audit Committee assists the Board in oversight of the quality and integrity of our accounting, auditing, and financial reporting practices. In addition, the Audit Committee recommends

Edgar Filing: INNOVO GROUP INC - Form DEFR14A

to the full Board of Directors the selection of the independent auditors.

Currently, all Audit Committee members are "independent" under NASDAQ listing standards and as such term is defined in the rules and regulations of the SEC and Mr. Rizvi has also been designated to be an "audit committee financial expert" as such term is defined in the rules and regulations of the SEC.

In performing its oversight function, the Audit Committee reviewed and discussed our audited consolidated financial statements as of and for the year ended November 29, 2003 with management and our independent auditors. The Audit Committee also discussed with our independent auditors all matters required by generally accepted auditing standards, including those described in Statement on Auditing Standards No. 61, "Communication with Audit Committees" as amended by the Auditing Standards Board of the American

34

Institute of Certified Public Accountants, and, with and without management present, discussed and reviewed the results of the independent auditors' examination of the financial statements.

The Audit Committee obtained from the independent auditors a formal written statement describing all relationships between the independent auditors and us that might bear on the independent auditors' independence consistent with Independence Standards Board Standard No. 1, "Independence Discussions with Audit Committees." The Audit Committee discussed with the independent auditors any relationships that may have an impact on their objectivity and independence and satisfied itself that the non-audit services provided by the independent accountants are compatible with maintaining their independence.

Based on the above-mentioned review and discussions with management and the independent auditors, the Audit Committee recommended to the Board of Directors that our audited consolidated financial statements be included in our Annual Report on Form 10-K for the fiscal year ended November 29, 2003 for filing with the SEC.

The Audit Committee:

Suhail R. Rizvi, Chairman of the Audit Committee
John G. Looney, MD
Daniel A. Page

Stock Performance Graph

The following graph compares the cumulative total stockholder return for Innovo Group, the NASDAQ Stock Market (U.S. companies) Index, or the NASDAQ Market Index, and the Standard and Poor's 600 SmallCap Index, or S&P 600 SmallCap. Measurement points are the last trading day of each of our fiscal years ended November 30, 1997, November 30, 1998, November 30, 1999, November 30, 2000, December 1, 2001, November 30, 2002, and November 29, 2003. The graph assumes that \$100 was invested on November 30, 1997 in our common stock, the NASDAQ Market Index and the S&P 600 SmallCap and assumes reinvestment of any dividends. The stock price performance on the following graph is not necessary indicative of future stock price performance.

35

Edgar Filing: INNOVO GROUP INC - Form DEFR14A

INNOVO GROUP, INC.
COMPARISON OF CUMULATIVE TOTAL RETURN
TO NASDAQ MARKET INDEX AND
S&P 600 SMALLCAP INDEX
(PERFORMANCE GRAPH)

[LINE GRAPH OMITTED]

	1997	1998	1999	2000	2001	2002
Innovo Group Inc.	\$100	\$ 21.91	\$ 24.29	\$ 12.39	\$ 29.86	\$ 39.60
NASDAQ Stock Market (US)	\$100	\$122.59	\$210.61	\$163.33	\$121.68	\$ 93.92
S&P 600 SmallCap Market	\$100	\$ 93.88	\$102.91	\$110.09	\$122.45	\$114.60

Notwithstanding anything to the contrary set forth in any of our previous or future filings under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, that might incorporate this proxy statement or our future filings under those statutes, the Compensation and Stock Option Committee Report, the Audit Committee Report and the Stock Performance Graph are not deemed filed with the SEC and will not be deemed incorporated by reference into any of those prior filings or into any future filings made by us under those statutes.

36

RELATED PARTY TRANSACTIONS

We have adopted a policy requiring that any material transaction b