BLUE HOLDINGS, INC.
Form SB-2
October 07, 2005

As filed with the Securities and Exchange Commission on October 7, 2005

Registration No. ____________

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

FORM SB-2
REGISTRATION STATEMENT
UNDER THE
SECURITIES ACT OF 1933

BLUE HOLDINGS, INC.
(Name of Small Business Issuer in its Charter)

NEVADA	2300
(State or Jurisdiction of Incorporation or Organization)	(Primary Standard Industrial Classification Code Number)

88-0450923
(I.R.S Employer Identification No.)

5804 E. SLAUSON AVE.
COMMERCE, CA 90040
(323) 725-5555
(Address and Telephone Number of Principal Executive Offices)

5804 E. SLAUSON AVE.
COMMERCE, CA 90040
(Address of Principal Place of Business or intended Place of Business)

PATRICK CHOW, CHIEF FINANCIAL OFFICER
BLUE HOLDINGS, INC.
5804 E. SLAUSON AVE.
COMMERCE, CA 90040
(323) 725-5555

Copy to:

ALBERT P. ASATOORIAN, ESQ.
STUBBS ALDERTON & MARKILES, LLP
15821 VENTURA BOULEVARD, SUITE 525
ENCINO, CALIFORNIA 91436
(818) 444-4500
(Name, Address and Telephone Number of Agent for Service)

Approximate date of proposed sale to the public: From time to time after the effective date of this Registration Statement.

If any of the securities being registered on this Form are being offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. [X]

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If delivery of the prospectus is expected to be made pursuant to Rule 434, check the following box.

CALCULATION OF REGISTRATION FEE

TITLE OF EACH CLASS OF SECURITIES TO BE REGISTERED	AMOUNT TO BE REGISTERED (1)	PROPOSED MAXIMUM OFFERING PRICE PER UNIT (2)	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE (2)	AMOUNT OF REGISTRATION FEE
Common Stock, par value $.001 per share....	3,000,000 (3)	$8.525	$25,575,000	$3,011
TOTAL	3,000,000		$25,575,000	$3,011

(1) In the event of a stock split, stock dividend, or other similar transaction involving the Registrant's common stock, in order to prevent dilution, the number of shares registered shall automatically be increased to cover the additional shares in accordance with Rule 416(a) under the Securities Act.
(2) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(c) under the Securities Act of 1933, using the average of the high and low price as reported on the Over-the-Counter Bulletin Board on October 3, 2005.
(3) The securities being registered may at various times be issued by the Registrant at indeterminate prices.

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE TIME UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(A) OF THE SECURITIES ACT OF 1933 OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(A), MAY DETERMINE.

Subject to Completion, Dated October 7, 2005

BLUE HOLDINGS, INC.

3,000,000 SHARES
COMMON STOCK

This prospectus relates to the offer and sale of up to 3,000,000 shares of our common stock, which we may sell from time to time in one or more offerings. We will provide specific terms of these sales in supplements to this prospectus. You should read this prospectus and each supplement carefully before you invest. This prospectus may not be used by us to offer and sell securities unless accompanied by a prospectus supplement.

Our common stock is quoted on the Over-The-Counter Bulletin Board under the symbol "BLHL." On October 3, 2005, the last reported sales price of the common stock on the Over-The-Counter Bulletin Board was $8.85 per share.

INVESTING IN OUR COMMON STOCK INVOLVES RISKS. SEE "RISK FACTORS" BEGINNING ON PAGE 3.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

The date of this prospectus is ______________

i

TABLE OF CONTENTS

ABOUT THIS PROSPECTUS

This prospectus is part of a Registration Statement on Form SB-2 that we filed with the Securities and Exchange Commission utilizing a "shelf" registration process. Under this shelf process, we may sell up to 3,000,000 shares of common stock from time to time in one or more offerings. This prospectus provides you with a general description of the securities that may be offered. Each time we sell any securities through the shelf process under this prospectus, we will provide a prospectus supplement that will contain specific information about the terms of that offering. The prospectus supplement may also add, update or change information contained in this prospectus. You should read both this prospectus and any prospectus supplement together with additional information described below under the heading "Where You Can Find More Information."

You should rely only on the information contained in this prospectus or any supplement. We have not authorized anyone to provide information that is different from that contained in this prospectus. The information contained in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or of any sale of our common stock.

Except as otherwise indicated, information in this prospectus reflects a 1-for-29 reverse stock split of our common stock which took effect on and as of June 7, 2005.

PROSPECTUS SUMMARY

THIS SUMMARY HIGHLIGHTS SELECTED INFORMATION CONTAINED IN GREATER DETAIL ELSEWHERE IN THIS PROSPECTUS. THIS SUMMARY DOES NOT CONTAIN ALL THE INFORMATION YOU SHOULD CONSIDER BEFORE INVESTING IN OUR COMMON STOCK. YOU SHOULD READ THE ENTIRE PROSPECTUS CAREFULLY BEFORE MAKING AN INVESTMENT DECISION, INCLUDING "RISK FACTORS" AND THE CONSOLIDATED FINANCIAL STATEMENTS AND THE RELATED NOTES. REFERENCES IN THIS PROSPECTUS TO "BLUE HOLDINGS," "WE," "OUR" AND "US" REFER TO BLUE HOLDINGS, INC. AND OUR CONSOLIDATED SUBSIDIARIES.

OUR BUSINESS

We design, develop, market and distribute high end fashion jeans and accessories under the brand name "Antik Denim," and as of July 5, 2005, under the brand name "Yanuk." We plan to also design, develop, market and distribute jeans and accessories under other brands that we may license or acquire from time to time. Our products include jeans, jackets, belts, purses and T-shirts. We currently sell our products in the United States, and internationally in countries that include, but are not limited to, Canada, Belgium, France, Germany, Sweden, Italy, Korea, Mexico and Japan, directly to department stores and boutiques and through distribution arrangements in certain foreign jurisdictions. We are headquartered in Commerce, California and maintain two showrooms in New York and Los Angeles.

OUR INDUSTRY

We operate in the high end fashion denim industry. Our competitors are companies such as Levi Strauss, Calvin Klein, Joe's Jeans, True Religion Apparel, Seven For All Mankind and Citizens of Humanity. Our competitive edge lies in our ability to create innovative concepts and designs, to develop products with extraordinary fit, and to expand our high quality fabrics and finishes, treatments and embellishments (including our patent pending pockets, hand stitching and embroidery detail).

OUR HISTORY AND CONTACT INFORMATION

Blue Holdings, Inc. was incorporated in the State of Nevada on February 9, 2000 under the name Marine Jet Technology Corp. From our inception through January 2005, we focused on developing and marketing boat propulsion technology. Between January and February 2005, we entered into separate transactions whereby, among other matters, Keating Reverse Merger Fund, LLC ("KRM Fund"), an existing shareholder of the Company, agreed to purchase a substantial majority of our outstanding common stock, and Intellijet Marine, Inc., a company formed by our former majority shareholder and principal executive officer and director, Jeff P. Jordan, acquired all of our boat propulsion technology assets and assumed all of our then existing liabilities.

Between February 4, 2005 and April 29, 2005, we existed as a public "shell" company with nominal assets whose sole business was to identify, evaluate and investigate various companies to acquire or with which to merge.

On April 14, 2005, we entered into an Exchange Agreement (the "Exchange Agreement") with Antik Denim, L.L.C., a California limited liability company ("Antik"), the members of Antik (the "Antik Members"), and KRM Fund. The closing of the transactions contemplated by the Exchange Agreement occurred on April 29, 2005. At the closing, we acquired all of the outstanding membership interests of Antik (the "Interests") from the Antik Members, and the Antik Members contributed all of their Interests to us. In exchange, we issued to the Antik Members 843,027 shares of our Series A Convertible Preferred Stock, par value $0.001 per share (the "Preferred Shares"), which, as a result of the approval by a substantial majority of our outstanding shareholders entitled to vote and the approval by our Board of Directors, of amendments to our Articles of Incorporation that (i) changed our name to Blue Holdings, Inc., (ii) increased our authorized number of shares of common stock to 75,000,000, and (iii) adopted a 1-for-29 reverse stock split, on June 7, 2005 converted into 708,984,875 shares of our common stock on a pre-reverse stock split basis and 24,447,783 shares of our common stock on a post-reverse stock split basis.

At the closing, Antik became our wholly-owned subsidiary. The exchange transaction was accounted for as a reverse merger (recapitalization) with Antik deemed to be the accounting acquirer, and we were deemed to be the legal acquirer.

As a result of the closing of the transactions contemplated by the Exchange Agreement, the Antik Members (together with Elizabeth Guez, our Chief Operating Officer, and Patrick Chow, our Chief Financial Officer) hold approximately 93.7% of the outstanding shares of our common stock, and our shareholders existing immediately prior to the closing hold approximately 3.8% of our outstanding shares of common stock.

The address of our principal executive office is 5804 E. Slauson Ave. Commerce, CA 90040, and our telephone number is (323) 725-5555.

THE OFFERING

Common stock offered by us............	Up to 3,000,000 shares
Offering price at which common stock may be offered and sold by us from time to time	At such price or prices as may

	be negotiated between us and any purchaser from time to time.
Common stock outstanding before this offering................	25,557,200 shares
Common stock to be outstanding after this offering................	28,557,200 shares
Use of proceeds.......................	Proceeds from the sale of common stock by us will be used for general working capital and other purposes as we may set forth from time to time in any prospectus supplement. See "Use of Proceeds."
OTC Bulletin Board symbol.............	BLHL
Risk Factors..........................	See "Risk Factors" beginning on page 3 for a discussion of factors that you should consider carefully before deciding to purchase our common stock.

In the table above, the number of shares to be outstanding after this offering is based on 25,557,200 shares outstanding as of October 3, 2005, and the assumed sale of all 3,000,000 shares of common stock that may be offered and sold by us under this prospectus and any applicable prospectus supplement. The number of shares to be outstanding after this offering does not reflect the issuance of the following shares which are not being offered for sale under this prospectus:

- 62,000 shares issuable upon the exercise of outstanding stock options at a weighted average exercise price of $8.10 per share, as of October 3, 2005; and

- 2,438,000 additional shares reserved for issuance under our 2005 Stock Incentive Plan, as of October 3, 2005.

RISK FACTORS

INVESTING IN OUR COMMON STOCK INVOLVES A HIGH DEGREE OF RISK. YOU SHOULD CAREFULLY CONSIDER THE FOLLOWING RISK FACTORS AND ALL OTHER INFORMATION CONTAINED IN THIS PROSPECTUS BEFORE PURCHASING OUR COMMON STOCK. THE RISKS AND UNCERTAINTIES DESCRIBED BELOW ARE NOT THE ONLY ONES FACING US. ADDITIONAL RISKS AND UNCERTAINTIES THAT WE ARE UNAWARE OF, OR THAT WE CURRENTLY DEEM IMMATERIAL, ALSO MAY BECOME IMPORTANT FACTORS THAT AFFECT US. IF ANY OF THE FOLLOWING RISKS OCCUR, OUR BUSINESS, FINANCIAL CONDITION OR RESULTS OF OPERATIONS COULD BE MATERIALLY AND ADVERSELY AFFECTED. IN THAT CASE, THE TRADING PRICE OF OUR COMMON STOCK COULD DECLINE, AND YOU MAY LOSE SOME OR ALL OF YOUR INVESTMENT.

RISKS RELATED TO OUR BUSINESS

ANTIK, OUR WHOLLY-OWNED SUBSIDIARY, HAS A LIMITED OPERATING HISTORY, MAKING IT DIFFICULT TO EVALUATE WHETHER IT WILL OPERATE PROFITABLY.

Antik was formed in September 2004 to design, develop, manufacture, market, distribute and sell high end fashion jeans, apparel and accessories. As a result, it does not have a meaningful historical record of sales and revenues nor an established business track record. While our management believes that we have an opportunity to be successful in the high end fashion jean market, there can be no assurance that we will be successful in accomplishing our business initiatives, or that we will achieve any significant level of revenues, or ever recognize net income, from the sale of our products. Unanticipated problems, expenses and delays are frequently encountered in increasing production and sales and developing new products, especially in the current stage of our business. Our ability to continue to successfully develop, produce and sell our products and to generate significant operating revenues will depend on our ability to, among other matters:

- successfully market, distribute and sell our products or enter into agreements with third parties to perform these functions on our behalf; and

- obtain the financing required to implement our business plan.

Given Antik's limited operating history, our new license agreements with Yanuk, our lack of long-term sales history and other sources of revenue, there can be no assurance that we will be able to achieve any of our goals and develop a sufficiently large customer base to be profitable.

WE MAY REQUIRE ADDITIONAL CAPITAL IN THE FUTURE.

We may not be able to fund our future growth or react to competitive pressures if we lack sufficient funds. Currently, management believes we have sufficient cash on hand and cash available through our factor to fund existing operations for the foreseeable future. However, in the future, we may need to raise additional funds through equity or debt financings or collaborative relationships, including in the event that we lose our relationship with our factor. This additional funding may not be available or, if available, it may not be available on economically reasonable terms.

We cannot assure you that we will complete any sale of shares under this prospectus and any applicable prospectus supplement or that the sale of the shares under this prospectus and any applicable prospectus supplement will be completed on otherwise commercially reasonable terms. In addition, any further funding may result in significant dilution to existing shareholders. If adequate funds are not available on commercially acceptable terms, we may be required to curtail our

operations or obtain funds through collaborative partners that may require us to release material rights to our products.

FAILURE TO MANAGE OUR GROWTH AND EXPANSION COULD IMPAIR OUR BUSINESS.

Management believes that we, including our Antik Denim subsidiary specifically, are poised for significant growth in 2005 and 2006. However, no assurance can be given that we will be successful in maintaining or increasing our sales in the future. Any future growth in sales will require additional working capital and may place a significant strain on our management, management information systems, inventory management, sourcing capability, distribution facilities and receivables management. Any disruption in our order processing, sourcing or distribution systems could cause orders to be shipped late, and under industry practices, retailers generally can cancel orders or refuse to accept goods due to late shipment. Such cancellations and returns would result in a reduction in revenue, increased administrative and shipping costs and a further burden on our distribution facilities.

Additionally, we intend from time to time to open and/or license retail stores focusing on the Antik Denim, Yanuk and other brands, and to acquire and/or license other businesses and brands, as applicable, as we deem appropriate. If we are unable to adequately manage our retail operations, or to properly integrate any business or brands we acquire and/or license, this could adversely affect our results of operation and financial condition.

WE CURRENTLY OWN OR LICENSE, AND OPERATE, TWO PRINCIPAL BRANDS, ANTIK DENIM AND YANUK. IF WE ARE UNSUCCESSFUL IN MARKETING AND DISTRIBUTING THOSE BRANDS OR IN EXECUTING OUR OTHER STRATEGIES, OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION WILL BE ADVERSELY AFFECTED.

While our goal is to employ a multi-brand strategy that will ultimately diversify the fashion and other risks associated with reliance on a limited product line, we currently operate, directly and through our wholly-owned subsidiary, Antik Denim, L.L.C., two principal brands, Antik Denim and Yanuk, one of which, Yanuk, is being operated pursuant to a very recent license agreement. If we are unable to successfully market and distribute the Antik Denim and Yanuk brands, or if the recent popularity of premium denim brands decreases, or if we are unable to execute on our multi-brand strategy to acquire and/or license additional companies and/or brands, as applicable, identified by our management from time to time, our results of operations and financial condition will be adversely affected.

OUR OPERATING RESULTS MAY FLUCTUATE SIGNIFICANTLY.

Management expects that we will experience substantial variations in our net sales and operating results from quarter to quarter. We believe that the factors which influence this variability of quarterly results include:

- the timing of its introduction of new product lines;
- the level of consumer acceptance of each new product line;
- general economic and industry conditions that affect consumer spending and retailer purchasing;
- the availability of manufacturing capacity;
- the seasonality of the markets in which it participates;
- the timing of trade shows;
- the product mix of customer orders;

- the timing of the placement or cancellation of customer orders;
- the weather;
- transportation delays;

- quotas and other regulatory matters;

- the occurrence of charge backs in excess of reserves; and

- the timing of expenditures in anticipation of increased sales and actions of competitors.

As a result of fluctuations in our revenue and operating expenses that may occur, management believes that period-to-period comparisons of our results of operations are not a good indication of our future performance. It is possible that in some future quarter or quarters, our operating results will be below the expectations of securities analysts or investors. In that case, our common stock price could fluctuate significantly or decline.

THE FINANCIAL CONDITION OF OUR CUSTOMERS COULD AFFECT OUR RESULTS OF OPERATIONS.

Certain retailers, including some of our customers, have experienced in the past, and may experience in the future, financial difficulties, which increase the risk of extending credit to such retailers and the risk that financial failure will eliminate a customer entirely. These retailers have attempted to improve their own operating efficiencies by concentrating their purchasing power among a narrowing group of vendors. There can be no assurance that we will remain a preferred vendor for our existing customers. A decrease in business from or loss of a major customer could have a material adverse effect on our results of operations. There can be no assurance that our factor will approve the extension of credit to certain retail customers in the future. If a customer's credit is not approved by the factor, we could assume the collection risk on sales to the customer itself, require that the customer provide a letter of credit, or choose not to make sales to the customer.

OUR BUSINESS IS SUBJECT TO RISKS ASSOCIATED WITH IMPORTING PRODUCTS.

A portion of our import operations are subject to tariffs imposed on imported products and quotas imposed by trade agreements. In addition, the countries in which our products are imported may from time to time impose additional new duties, tariffs or other restrictions on its imports or adversely modify existing restrictions. Adverse changes in these import costs and restrictions, or our suppliers' failure to comply with customs or similar laws, could harm our business. We cannot assure that future trade agreements will not provide our competitors with an advantage over us, or increase our costs, either of which could have an adverse effect on our business and financial condition.

Our operations are also subject to the effects of international trade agreements and regulations such as the North American Free Trade Agreement, and the activities and regulations of the World Trade Organization. Generally, these trade agreements benefit our business by reducing or eliminating the duties assessed on products or other materials manufactured in a particular country. However, trade agreements can also impose requirements that adversely affect our business, such as limiting the countries from which we can purchase raw materials and setting duties or restrictions on products that may be imported into the United States from a particular country.

Our ability to import raw materials in a timely and cost-effective manner may also be affected by problems at ports or issues that otherwise affect transportation and warehousing providers, such as labor disputes. These problems could require us to locate alternative ports or warehousing providers to avoid disruption to our customers. These alternatives may not be available on short notice or could result in higher transit costs, which could have an adverse impact on our business and financial condition.

OUR DEPENDENCE ON INDEPENDENT MANUFACTURERS AND SUPPLIERS OF RAW MATERIALS REDUCES OUR ABILITY TO CONTROL THE MANUFACTURING PROCESS, WHICH COULD HARM OUR SALES, REPUTATION AND OVERALL PROFITABILITY.

We depend on independent contract manufacturers and suppliers of raw materials to secure a sufficient supply of raw materials and maintain sufficient manufacturing and shipping capacity in an environment characterized by declining prices, labor shortage, continuing cost pressure and increased demands for product innovation and speed-to-market. This dependence could subject us to difficulty in obtaining timely delivery of products of acceptable quality. In addition, a contractor's failure to ship products to us in a timely manner or to meet the required quality standards could cause us to miss the delivery date requirements of our customers. The failure to make timely deliveries may cause our customers to cancel orders, refuse to accept deliveries, impose non-compliance charges through invoice deductions or other charge-backs, demand reduced prices or reduce future orders, any of which could harm our sales, reputation and overall profitability.

We do not have long-term contracts with any of our independent contractors and any of these contractors may unilaterally terminate their relationship with us at any time. While management believes that there exists an adequate supply of contractors to provide products and services to us, to the extent we are not able to secure or maintain relationships with independent contractors that are able to fulfill its requirements, our business would be harmed.

We have initiated standards for our suppliers, and monitor our independent contractors' compliance with applicable labor laws, but we do not control our contractors or their labor practices. The violation of federal, state or foreign labor laws by one of our contractors could result in us being subject to fines and our goods that are manufactured in violation of such laws being seized or their sale in interstate commerce being prohibited. To date, we have not been subject to any sanctions that, individually or in the aggregate, have had a material adverse effect on our business, and we are not aware of any facts on which any such sanctions could be based. There can be no assurance, however, that in the future we will not be subject to sanctions as a result of violations of applicable labor laws by our contractors, or that such sanctions will not have a material adverse effect on our business and results of operations.

WE MAY NOT BE ABLE TO ADEQUATELY PROTECT OUR INTELLECTUAL PROPERTY RIGHTS.

The loss of or inability to enforce our trademark "Antik Denim," our licensed trademark "Yanuk" or any of our other proprietary or licensed trademarks, designs, patents, know-how and trade secrets could adversely affect our business. If any third party copies or otherwise gains access to our trademarks or other proprietary rights, or develops similar products independently, it may be costly to enforce our rights and we would not be able to compete as effectively. Additionally, the laws of foreign countries may provide inadequate protection of intellectual property rights, making it difficult to enforce such rights in those countries.

We may need to bring legal claims to enforce or protect our intellectual property rights. Any litigation, whether successful or unsuccessful, could result in substantial costs and diversions of resources. In addition, notwithstanding the rights we have secured in our intellectual property, third parties may bring claims against us alleging that we have infringed on their intellectual property rights or that our intellectual property rights are not valid. Any claims against us, with or without merit, could be time consuming and costly to defend or litigate and therefore could have an adverse affect on our business.

THE LOSS OF PAUL GUEZ OR OUR LEAD DESIGNERS WOULD HAVE AN ADVERSE EFFECT ON OUR FUTURE DEVELOPMENT AND COULD SIGNIFICANTLY IMPAIR OUR ABILITY TO ACHIEVE OUR BUSINESS OBJECTIVES.

Our success is largely dependent upon the expertise and knowledge of our Chairman, Chief Executive Officer and President, Paul Guez, our lead designers, Philippe Naouri and Alexandre Caugant, and our ability to continue to hire and retain other key personnel. The loss of Mr. Guez, or any of our other key personnel, could have a material adverse effect on our business, development, financial condition, and operating results. We do not maintain "key person" life insurance on any of our management or key personnel, including Mr. Guez.

RISKS RELATED TO OUR INDUSTRY

OUR SALES ARE HEAVILY INFLUENCED BY GENERAL ECONOMIC CYCLES.

Apparel is a cyclical industry that is heavily dependent upon the overall level of consumer spending. Purchases of apparel and related goods tend to be highly correlated with cycles in the disposable income of our consumers. Our customers anticipate and respond to adverse changes in economic conditions and uncertainty by reducing inventories and canceling orders. As a result, any substantial deterioration in general economic conditions, increases in interest rates, acts of war, terrorist or political events that diminish consumer spending and confidence in any of the regions in which we compete, could reduce our sales and adversely affect our business and financial condition.

OUR BUSINESS IS HIGHLY COMPETITIVE AND DEPENDS ON CONSUMER SPENDING PATTERNS.

The apparel industry is highly competitive. We face a variety of competitive challenges including:

- anticipating and quickly responding to changing consumer demands;
- developing innovative, high-quality products in sizes and styles that appeal to consumers;
- competitively pricing our products and achieving customer perception of value; and
- the need to provide strong and effective marketing support.

WE MUST SUCCESSFULLY GAUGE FASHION TRENDS AND CHANGING CONSUMER PREFERENCES TO SUCCEED.

Our success is largely dependent upon our ability to gauge the fashion tastes of our customers and to provide merchandise that satisfies retail and customer demand in a timely manner. The apparel business fluctuates according to changes in consumer preferences dictated in part by fashion and season. To the extent we misjudge the market for our merchandise, our sales may be adversely affected. Our ability to anticipate and effectively respond to changing fashion trends depends in part on our ability to attract and retain key personnel in our design, merchandising and marketing staff. Competition for these personnel is intense, and we cannot be sure that we will be able to attract and retain a sufficient number of qualified personnel in future periods.

OUR BUSINESS MAY BE SUBJECT TO SEASONAL TRENDS.

In the experience of our management, operating results in the high end fashion denim industry have been subject to seasonal trends when measured on a quarterly basis. This trend is dependent on numerous factors, including:

- the markets in which we operate;
- holiday seasons;
- consumer demand;
- climate;

- economic conditions; and
- numerous other factors beyond our control.

OTHER RISKS RELATED TO AN INVESTMENT IN OUR COMMON STOCK

THE SALE OF SECURITIES BY US IN ANY EQUITY OR DEBT FINANCING COULD RESULT IN DILUTION TO OUR EXISTING SHAREHOLDERS AND HAVE A MATERIAL ADVERSE EFFECT ON OUR EARNINGS.

Any sale of shares by us pursuant to this prospectus and any applicable prospectus supplement, or in a future private placement offering, could result in dilution to the existing shareholders as a direct result of our issuance of additional shares of our capital stock. In addition, our business strategy may include expansion through internal growth, by acquiring complementary businesses, by acquiring or licensing additional brands, or by establishing strategic relationships with targeted customers and suppliers. In order to do so, or to fund our other activities, we may issue additional equity securities that could dilute our shareholders' stock ownership. We may also assume additional debt and incur impairment losses related to goodwill and other tangible assets if we acquire another company and this could negatively impact our results of operations.

INSIDERS OWN A SIGNIFICANT PORTION OF OUR COMMON STOCK, WHICH COULD LIMIT OUR SHAREHOLDERS' ABILITY TO INFLUENCE THE OUTCOME OF KEY TRANSACTIONS.

At October 3, 2005, our Chief Executive Officer, Paul Guez, Chief Operating Officer, Elizabeth Guez, Chief Financial Officer, Patrick Chow, and three members of our design team, Messrs. Naouri, Caugant and Meyer Abbou, all former members of Antik, owned approximately 93.7% of the outstanding shares of our common stock. Paul and Elizabeth Guez alone own approximately 72.1% of the outstanding shares of our common stock at October 3, 2005. Accordingly, our executive officers and key personnel have the ability to affect the outcome of, or exert considerable influence over, all matters requiring shareholder approval, including the election and removal of directors and any change in control. This concentration of ownership of our common stock could have the effect of delaying or preventing a change of control of us or otherwise discouraging or preventing a potential acquirer from attempting to obtain control of us. This, in turn, could have a negative effect on the market price of our common stock. It could also prevent our shareholders from realizing a premium over the market prices for their shares of common stock.

OUR STOCK PRICE HAS BEEN VOLATILE.

Our common stock is quoted on the Over-The-Counter Bulletin Board, and there can be substantial volatility in the market price of our common stock. The market price of our common stock has been, and is likely to continue to be, subject to significant fluctuations due to a variety of factors, including quarterly variations in operating results, operating results which vary from the expectations of securities analysts and investors, changes in financial estimates, changes in market valuations of competitors, announcements by us or our competitors of a material nature, loss of one or more customers, additions or departures of key personnel, future sales of common stock and stock market price and volume fluctuations.

In addition, general political and economic conditions such as a recession, or interest rate or currency rate fluctuations may adversely affect the market price of our common stock. In addition, the stock market in general has experienced extreme price and volume fluctuations that have affected the market price of our common stock. Often, price fluctuations are unrelated to operating performance of the specific companies whose stock is affected. In the past, following periods of volatility in the market price of a company's stock, securities class action litigation has occurred against the issuing company. If we were subject to this type of litigation in the future, we could incur substantial costs and a diversion of our

management's attention and resources, each of which could have a material adverse effect on our revenue and earnings. Any adverse determination in this type of litigation could also subject us to significant liabilities.

PURCHASERS IN THIS OFFERING MAY IMMEDIATELY EXPERIENCE SUBSTANTIAL DILUTION IN NET TANGIBLE BOOK VALUE.

We plan to sell shares at various times pursuant to this prospectus and an applicable prospectus supplement at a price or prices that we will negotiate with potential purchasers from time to time. Because our common stock has in the past been sold at prices lower than the price that you may pay, you may suffer immediate substantial dilution in net tangible book value, which represents the amount of the company's total tangible assets less its total liabilities, divided by the number of shares of its outstanding capital stock. The exercise of options may result in further dilution.

ABSENCE OF DIVIDENDS COULD REDUCE OUR ATTRACTIVENESS TO INVESTORS.

Some investors favor companies that pay dividends, particularly in general downturns in the stock market. We have not declared or paid any cash dividends on our common stock. We currently intend to retain any future earnings for funding growth, and we do not currently anticipate paying cash dividends on our common stock in the foreseeable future. Because we may not pay dividends, your return on this investment likely depends on your selling our stock at a profit.

FORWARD-LOOKING STATEMENTS

This prospectus, including the sections entitled "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business," contains "forward-looking statements" that include information relating to future events, future financial performance, strategies, expectations, competitive environment, regulation and availability of resources. These forward-looking statements include, without limitation, statements regarding: proposed new services; our statements concerning litigation or other matters; statements concerning projections, predictions, expectations, estimates or forecasts for our business, financial and operating results and future economic performance; statements of management's goals and objectives; and other similar expressions concerning matters that are not historical facts. Words such as "may," "will," "should," "could," "would," "predicts," "potential," "continue," "expects," "anticipates," "future," "intends," "plans," "believes" and "estimates," and similar expressions, as well as statements in future tense, identify forward-looking statements.

Forward-looking statements should not be read as a guarantee of future performance or results, and will not necessarily be accurate indications of the times at, or by which, that performance or those results will be achieved. Forward-looking statements are based on information available at the time they are made and/or management's good faith belief as of that time with respect to future events, and are subject to risks and uncertainties that could cause actual performance or results to differ materially from those expressed in or suggested by the forward-looking statements. Important factors that could cause these differences include, but are not limited to:

- our failure to implement our business plan within the time period we originally planned to accomplish; and

- other factors discussed under the headings "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business."

Forward-looking statements speak only as of the date they are made. You should not put undue reliance on any forward-looking statements. We assume no obligation to update forward-looking statements to reflect actual results, changes in assumptions or changes in other factors affecting forward-looking information, except to the extent required by applicable securities laws. If we do update one or more forward-looking statements, no inference should be drawn that we will make additional updates with respect to those or other forward-looking statements.

USE OF PROCEEDS

Unless otherwise indicated in the applicable prospectus supplement, we anticipate that any net proceeds from the sale of the shares of common stock that we may offer under this prospectus and any accompanying prospectus supplement will be used for general corporate purposes. General corporate purposes may include acquisitions, investments, repayment of debt, capital expenditures, repurchase of our capital stock and any other purposes that we may specify in any prospectus supplement. We may invest the net proceeds temporarily until we use them for their stated purpose.

MARKET FOR COMMON EQUITY

AND RELATED SHAREHOLDER MATTERS

COMMON STOCK

Our common stock is quoted on the Over-The-Counter Bulletin Board under the symbol "BLHL." The following table sets forth, for the periods indicated, the high and low bid information for the common stock, as determined from sporadic quotations on the Over-the-Counter Bulletin Board, as well as the total number of shares of common stock traded during the periods indicated. The information has been adjusted to reflect a 1-for-29 reverse stock split of our common stock which took effect on June 7, 2005, after the periods presented. The following quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not represent actual transactions.

	HIGH	LOW
YEAR ENDED DECEMBER 31, 2003		
First Quarter....................	Not available	Not available
Second Quarter...................	Not available	Not available
Third Quarter....................	Not available	Not available
Fourth Quarter...................	$8.70	$1.74
YEAR ENDED DECEMBER 31, 2004		
First Quarter....................	$4.06	$2.90
Second Quarter...................	$4.06	$2.03
Third Quarter....................	$14.79	$2.03
Fourth Quarter...................	$2.47	$1.16
YEAR ENDED DECEMBER 31, 2005		
First Quarter....................	$17.40	$1.02
Second Quarter...................	$28.71	$4.64
Third Quarter....................	$9.60	$8.09

On October 3, 2005, the closing sales price of our common stock as reported on the Over-The-Counter Bulletin Board was $8.85 per share. At October 3, 2005, there were approximately 67 record holders of our common stock.

DIVIDENDS

We have never paid dividends on our common stock. We intend to retain our future earnings to re-invest in our ongoing business.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

THE FOLLOWING DISCUSSION SHOULD BE READ TOGETHER WITH OUR CONSOLIDATED FINANCIAL STATEMENTS AND RELATED NOTES, AS WELL AS THE SECTION ENTITLED "RISK FACTORS," THAT APPEAR ELSEWHERE IN THIS PROSPECTUS.

OVERVIEW

We, directly and through our wholly-owned subsidiary, Antik Denim, L.L.C., which was formed in September 2004, design, develop, manufacture, market, distribute and sell high end fashion jeans, apparel and accessories. We market, distribute and sell "Antik Denim" and, as a result of recent license agreement with Yanuk, "Yanuk" brand products in the United States, and internationally in countries that include, but are not limited to, Canada, Belgium, France, Germany, Sweden, Italy, Korea, Mexico and Japan. We plan to also design, develop, market and distribute jeans and accessories under other brands that we may license or acquire from time to time.

We market and distribute our products by participating in industry trade shows, as well as through our show rooms in Los Angeles and New York. We maintain distributor relationships in the United Kingdom, France, Germany, Sweden, Greece, Belgium, Italy, Mexico and Japan. With respect to the Antik Denim brand, except for Mexico and Japan we currently have no exclusive or long term distribution agreements with any party covering any territory, and do not depend on any single distributor to distribute our products. With respect to the Yanuk brand, except for Mexico and Japan, we currently have no exclusive or long term distribution agreements with any party covering any territory, and do not depend on any single distributor to distribute our products. Our distributors often, but not always, purchase products from us at a discount for resale to their customers in their respective territories. Our distributors warehouse our products at their expense and they ship to and collect payment from their customers directly.

Our products are sold in the United States to department stores and boutiques such as Saks Fifth Avenue, Neiman Marcus, Nordstrom, Barney's, Bloomingdales, Bergdorf Goodman, Atrium, Fred Segal, Intermix, Kitson, and Bendel, as well as smaller boutiques throughout the country.

Our products are sold internationally to department stores and boutiques such as Lane Crawford in Hong Kong, Harrods and Harvey Nichols in the United Kingdom, Barneys and Isetan in Japan, Galleries Lafayette in France, and Holt Renfrew in Canada.

We intend to operate certain flagship stores domestically and to license overseas operators to open retail stores that focus on high end fashion denim generally, and the Antik Denim and Yanuk brands, in particular. While there is no existing plan with respect to the roll-out of such stores, the first retail store was opened on August 27, 2005 on Melrose Avenue in Los Angeles.

We also intend to license our proprietary owned and licensed trademarks with respect to products that we believe are not in our core line of business. While there is no existing plan with respect to the types of products to which we intend to license our proprietary trademarks, on September 8, 2005, Antik entered into a term sheet license agreement with Titan Industries, Inc. that provides Titan with an exclusive right to use the "Antik Denim" trademark for the sale of men's and women's footwear in the United States and its possessions and territories, Canada and Mexico, and a right of first refusal for similar use of the trademark in Europe and South America.

Our historical operations prior to April 29, 2005 discussed in this section reflect only the operations of Antik Denim, L.L.C., a California limited liability company. Prior to April 29, 2005, Blue

Holdings, Inc., formerly known as Marine Jet Technology Corp., since its inception and through January 2005, focused on developing and marketing boat propulsion technology. Between January and February 2005, we entered into separate transactions whereby, among other matters, Keating Reverse Merger Fund, LLC ("KRM Fund"), an existing shareholder of the Company, agreed to purchase a substantial majority of our outstanding common stock, and Intellijet Marine, Inc., a company formed by our former majority shareholder and principal executive officer and director, Jeff P. Jordan, acquired all of our boat propulsion technology assets and assumed all of our then existing liabilities.

Between February 4, 2005 and April 29, 2005, we existed as a public "shell" company with nominal assets whose sole business was to identify, evaluate and investigate various companies to acquire or with which to merge.

On April 29, 2005, Blue Holdings, Inc. consummated an exchange transaction in which all of the outstanding membership interests of Antik Denim, L.L.C., a privately-held California limited liability company, were exchanged for 843,027 shares of Blue Holdings, Inc. Series A Convertible Preferred Stock, par value $0.001 per share, which, on June 7, 2005, converted into 24,447,783 shares of Blue Holdings, Inc. common stock, on a post-reverse stock split basis. Antik Denim, L.L.C. was formed in September 2004.

At the closing, Antik became our wholly-owned subsidiary. The exchange transaction was accounted for as a reverse merger (recapitalization) with Antik deemed to be the accounting acquirer, and we were deemed to be the legal acquirer.

RESULTS OF OPERATIONS

SUMMARY FINANCIAL DATA

The following historical financial information should be read in conjunction with the audited and unaudited financial statements and the notes to those statements, included elsewhere in this prospectus. The statements of operations data with respect to the six months ended June 30, 2005 and the period September 13, 2004 (inception) to December 31, 2004 and the balance sheet data at June 30, 2005 are derived from, and are qualified by reference to, the audited and unaudited financial statements included elsewhere in this prospectus. See footnote 1 below. The historical results are not necessarily indicative of results to be expected for any future periods.

	Six Months Ended June 30, 2005 (Unaudited)	Period September 13, 2004 to December 31, 2004 (Audited)
CONSOLIDATED STATEMENT OF OPERATIONS DATA:		
Sales, net	$ 8,854,228	$ 365,290
Selling, Distribution and Administrative Expenses	$ 2,192,334	$ 838,700
Net Income (Loss)	$ 1,658,562	$ (1,131,755)
Basic and diluted earnings (Loss) per share	$ 0.07	$ (0.05)
Weighted-average common shares outstanding	25,441,628	24,447,783

13

	June 30, 2005 (Unaudited)	December 31, 2004
CONSOLIDATED BALANCE SHEET DATA:		
Cash and cash equivalents	$ 31,539	$ 73,823
Working capital	$3,554,428	$ 28,572

Total Assets	$6,629,327	$1,416,968
Total liabilities	$2,867,892	$1,377,913
Total shareholders' / members' equity	$3,761,435	$ 39,055

(1) On April 29, 2005, Blue Holdings, Inc. (formerly known as Marine Jet Technology Corp.) acquired all the membership interests in Antik Denim, L.L.C. in exchange for 843,027 shares of its preferred stock, each of which would be convertible into 841 shares of Blue Holdings' common stock. The acquisition was accounted for as a reverse merger (recapitalization) with Blue Holdings, Inc. deemed to be the legal acquirer, and Antik Denim, L.L.C. deemed to be the accounting acquirer. Accordingly, the historical financial information presented herein is that of Antik Denim, L.L.C. as adjusted to give effect to any difference in the par value of the issuer's and the accounting acquirer's stock with the offset to capital in excess of par value. Accordingly, our results for the period from Antik's inception (September 13, 2004) to December 31, 2004, and for the six months ended June 30, 2005 are not comparable to the corresponding prior periods and no comparative data has been presented.

FROM SEPTEMBER 13, 2004 (INCEPTION) TO DECEMBER 31, 2004.

We recorded net sales of $0.37 million for the period from September 13 through December 31, 2004. Gross profit for the period was $0.21 million, or 57%.

Selling, distribution and administrative expenses totaled $0.84 million and included purchases of sample fabric, freight, advertising, commissions, travel and trade show expense. The principal components were sample costs ($0.14 million), professional fees ($0.13 million), and reimbursement to Blue Concept, LLC on administrative and selling expenses including rent, utilities, insurance and payroll ($0.37 million).

Net loss before provision for taxes was $1.13 million. The loss was created by the need of the start-up operations to finance operating expenses and cover the non-cash development costs of $0.5 million attributed to pending patent and trademark applications and proprietary designs and design concepts contributed by certain of Antik's former members.

Net cash used by operating activities was ($0.45 million). The deficit was caused by the need to build up inventories of $0.8 million and to finance accounts receivable amounting to $0.13 million. This deficit was financed by an increase in accounts payable by $1 million and due to customers by $0.09 million. Cash from financing activities included net contributions from members totaling $0.67 million and loans from related parties of $0.25 million.

SIX MONTHS ENDED JUNE 30, 2005

We recorded sales of $8.85 million for the six months ending June 30, 2005. Sales in 2005 are related to sales of products by Antik. During the six months, we had total sales of $0.7 million to Blue Concept Europe Limited, an entity owned by the principal shareholder. Gross profit for the six months ending June 30, 2005 was $4.46 million, or 50%. Management expects that sales will continue to increase in the quarter ended September 30, 2005, although the rate of this increase will depend on the co-ordination of our vendors to catch up with the increased amount of purchase orders.

Selling, distribution and administrative expenses totaled $2.19 million and included purchases of sample fabric, freight, advertising, commissions, travel and trade show expense. The principal components were professional and consulting fees ($0.52 million), and fees paid to Blue Concept, LLC under a service agreement ($0.63 million) (see P.33 Related Party Transactions).

Net income after provision for taxes was $1.66 million. Other than the minimum tax of $800 for the State of California, previous members of Antik have agreed not to require distributions for their individual tax liabilities for the period up to the exchange transaction. Therefore, our tax provisions were based on the income between April 30 and June 30, 2005. Net Income was affected in the second quarter by the costs associated with the exchange transaction with Antik, namely $0.30 million on professional fees and $0.18 million in accrual for the cost of issuing 102,079 post-reverse-stock-split shares as a finders' fee to the facilitator of the transaction.

LIQUIDITY AND CAPITAL RESOURCES

Net cash used by operating activities for the six months ended June 30, 2005 was ($0.66 million). The deficit was created by an increase of $3.42 million in inventory and was financed by an increase of $1.29 million in accounts payable and by additional contributions/paid-in capital of $0.69 million from Mr. Guez.

Since the beginning of 2005, Mr. Guez has personally contributed $1,200,000 in fabric inventory and $686,200 in cash to Antik. From time to time, he also supports us with temporary advances. As of June 30, 2005, we had advances totaling $141,549 from Mr. Guez.

We use a factor for Antik for working capital and credit administration purposes. Under the factoring agreement, the factor purchases a substantial portion of the trade accounts receivable and assumes all credit risk with respect to such accounts.

The factor agreement, which terminates on October 18, 2005, provides that Antik can borrow an amount up to 85% of the value of our approved factored customer invoices, less a reserve of 15% of unpaid accounts purchased and 100% of all such accounts which are disputed. As of June 30, 2005, the amount of the reserve held by the factor was approximately $464,000. The factor commission is 0.08% of the customer invoice amount for terms up to 90 days, plus one quarter of one percent (.25%) for each additional thirty-day term. The factor agreement has been amended to terminate on July 24, 2006 and includes Blue Holdings Inc. as an additional borrower. The amendments, dated to be effective July 25, 2005, also make available to both Blue Holdings Inc and Antik Denim, L.L.C. a combined line of credit up to $1.5 million against inventory. We can borrow against inventory up to 33.3% of the value of eligible raw materials and finished goods. By another amendment dated September 1, 2005, the advance ratio against approved factored invoices has been revised to 90%. Furthermore, the credit facilities will automatically be renewed after July 24, 2006 and will thereafter be subject to 120 days' termination notice from either party.

Receivables sold in excess of maximums established by the factor are subject to recourse in the event of nonpayment by the customer. At June 30, 2005, items subject to recourse approximated $998,863. We are contingently liable to the factor for merchandise disputes, customer claims and the like on receivables sold to the factor.

To the extent that we draw funds prior to the deemed collection date of the accounts receivable sold to the factor, interest is charged at the rate of 1% over the factor's prime lending rate per annum. Factor advances are collateralized by the factored and non-factored accounts receivable, inventories and the personal guarantee of Mr. Guez and Blue Concept, LLC, a company co-owned by him and Elizabeth Guez.

Our primary source of liquidity is expected to be cash flow generated from operations, cash and cash equivalents currently on hand, and working capital attainable through our factor. Additionally, we intend to sell up to 3,000,000 shares of our common stock pursuant to this prospectus and one or more applicable prospectus supplements, which could enhance our liquidity. However, we can give no assurance that will be able to complete any sale of these shares on commercially favorable terms, or at all.

Additionally, pursuant to the provisions of the Exchange Agreement among us, Antik, and the members of Antik, the members of Antik agreed that, in the event that our shareholders' equity (on a consolidated basis following the closing of the transactions contemplated by that agreement) as reported in our Quarterly Report on Form 10-QSB for the quarter ended June 30, 2005 (the "Consolidated Equity") was less than $5,000,000, the members would contribute, within fifteen (15) days following the filing of such periodic report, equity capital to us in an amount equal to the difference between $5,000,000 and the actual Consolidated Equity reported in such periodic report ("Required Contribution"). In the case of such Required Contribution, each of the Antik members agreed that no additional shares of the our capital stock would be issued in consideration of such Required Contribution, and therefore, the existing shareholders, including Antik's members, would not be further diluted. On June 27, 2005, we, Antik, Antik's former members (i.e., the members of Antik prior to the closing of the transactions contemplated by the Exchange Agreement), and Keating Reverse Merger Fund, a beneficiary of certain provisions of the Exchange Agreement, amended the Exchange Agreement to require that the Required Contribution is to be made, if at all, in connection with the Registrant's Quarterly Report on Form 10-QSB for the quarter ended September 30, 2005.

OFF-BALANCE SHEET ARRANGEMENTS

At June 30, 2005 and December 31, 2004, we did not have any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance, variable interest or special purpose entities, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. As such, we are not exposed to any financing, liquidity, market or credit risk that could arise if we had engaged in such relationships.

CONTRACTUAL OBLIGATIONS

The following summarizes our contractual obligations at August 31, 2005 and the effects such obligations are expected to have on liquidity and cash flow in future periods:

	PAYMENTS DUE BY PERIOD				
	TOTAL	LESS THAN 1 YEAR	1-3 YEARS	3-5 YEARS	AFTER 5 YEAR
Operating leases	$2,298,021	$ 206,062	$ 434,013	$ 464,925	$1,193,0

Employment obligations	$1,172,308	$ 240,000	$ 480,000	$ 452,308	
Total contractual obligations	$3,470,329	$ 446,062	$ 914,013	$ 917,233	$1,193,0

On July 8, 2005, we entered into an Employment Agreement with Philippe Naouri based on the foregoing letter agreement entered into with Antik. This agreement was amended on August 23, 2005. Pursuant to the terms of Mr. Naouri's employment agreement, as amended, Mr. Naouri was engaged by us as a fashion director and senior vice president in charge of design, development, manufacturing,

marketing and wholesale of apparel and related accessories bearing the "Antik Denim" trademark for a term of 5 years commencing on July 11, 2005 and terminating on July 10, 2010. Mr. Naouri will receive an annual salary of $240,000.

On August 27, 2005, the Company opened a retail store on Melrose Avenue, Los Angeles, California and took over all the obligations of a 10-year property lease which was entered into by Blue Concept LLC in April 2005. The lease will expire on March 15, 2015.

CRITICAL ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES

Revenue is recognized when merchandise is shipped to the customer based upon agreed terms and is recorded net of estimated returns, charge backs and markdowns based upon management's estimates and historical experience.

Trade accounts receivable are recorded at invoiced amounts, less amounts accrued for returns, discounts and allowances. An allowance is provided for specific customer accounts where collection is doubtful and for inherent risk in ultimate collectibility. There is no off-balance sheet credit exposure related to customer receivables.

Inventories are stated at the lower of cost or market. Cost is determined on the first-in, first -out ("FIFO") method.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates

RECENT ACCOUNTING PRONOUNCEMENTS

In December 2004, the FASB issued Statement of Financial Accounting Standard ("SFAS") No. 123R "Share Based Payment." This statement is a revision of SFAS Statement No. 123, "Accounting for Stock-Based Compensation" and supersedes APB Opinion No. 25, "Accounting for Stock Issued to Employees," and its related implementation guidance. SFAS 123R addresses all forms of share based payment ("SBP") awards including shares issued under employee stock purchase plans, stock options, restricted stock and stock appreciation rights. Under SFAS 123R, SBP awards result in a cost that will be measured at fair value on the awards' grant date, based on the estimated number of awards that are expected to vest. This statement will become effective for the company at the first quarter of 2006. The Company has evaluated the effects of the adoption of this pronouncement and has determined it will not have a material impact on the Company's financial statements.

In March, 2005, the Securities and Exchange Commission's ("SEC") Office of the Chief Accountant and its Division of Corporation Finance released Financial Accounting Bulletin No. 107, "Share-Based Payment" (SAB 107). SAB 107 provides interpretive guidance related to the interaction between Statement of Financial Accounting Standard No. 123R "Shared Based Payment" (SFAS 123R) and certain SEC rules and regulations. SAB 107 provides the staff's views regarding the valuation of shared-based payment arrangements for public companies and stresses the importance of including appropriate disclosures within SEC filings, particularly during the transition to SFAS 123R.

17

In December 2004, the FASB issued SFAS No. 153, "Exchanges of Nonmonetary Assets, an amendment to APB Opinion No. 29" ("SFAS No. 153"). SFAS No. 153 amends Accounting Principles Board Opinion No. 29, "Accounting for Nonmonetary Transactions", to require that exchanges of nonmonetary assets be measured and accounted for at fair value, rather than at carryover basis, of the assets exchanged. Nonmonetary exchanges that lack commercial substance are exempt from this requirement. SFAS No. 153 is effective for nonmonetary exchanges entered into in fiscal periods beginning after June 15, 2005. The Company does not routinely enter into nonmonetary exchanges. Accordingly, the Company does not expect that the adoption of SFAS No. 153 will have a significant effect on the Company's financial statement presentation or disclosures.

18

BUSINESS

CORPORATE HISTORY

Blue Holdings, Inc., formerly known as Marine Jet Technology Corp., was incorporated in the state of Nevada on February 9, 2000. From its inception up to January 20, 2005, the Company focused on developing and marketing boat propulsion technology developed by Jeff P. Jordan.

Prior to our inception, Mr. Jordan was granted several patents in the United States, the European Union, Australia and New Zealand. These patents protect various elements of a marine propulsion system that Mr. Jordan developed with Robert J. Tomlinson. Also prior to our formation, Mr. Jordan asked David L. Lyman, who owned and operated a contract-manufacturing firm, to assist in the design of a prototype engine. Mr. Lyman would assist in making the propulsion system suitable for mass production using automated equipment.

On May 19, 2000, we entered into a Proprietary Rights Agreement with Mr. Lyman, whereby we received any and all proprietary rights and future benefits derived from Mr. Lyman's design, development and work on the prototype propulsion system. Pursuant to this agreement, we issued 1,000,000 shares of our common stock to Mr. Lyman. The value of Mr. Lyman's proprietary rights was negotiated between and among Messrs. Lyman, Jordan and Tomlinson.

On May 19, 2000, we entered into a Technology License Agreement with

Messrs. Jordan and Tomlinson. In accordance with this agreement, Messrs. Jordan and Tomlinson assigned the rights to three United States patents they owned as individuals, as well as any improvements, reissues or extensions of those patents in the United States or abroad to the Company. In exchange for these patent rights, we issued an aggregate of 15,875,000 shares of our common stock, of which Mr. Jordan received 14,287,500 common shares and Mr. Tomlinson received 1,587,500 shares of common stock.

In August of 2001, we purchased assets from Mr. Jordan for cash. The assets included a test boat, patterns for component castings and related equipment. During 2002 and 2003, Mr. Jordan continued to develop the prototype system in the test boat and developed various designs to improve the performance of the prototype system. This led to the development of the Variable Marine Jet design, our second generation system, which was the subject of a Patent Cooperation Treaty (PCT) patent filing in December 2003.

We developed a fully operational prototype propulsion system, referred to as the first generation system, which served as a test bed for further development. This system underwent testing, research and further development by our management.

We intended to develop marine jet propulsion systems for sale and to license the rights to manufacture such systems and/or boats incorporating such technology under the name "Quick Jet." We sought to develop and market the Quick Jet technology to produce a proprietary marine jet propulsion system that offered the low-speed thrust and acceleration of a propeller drive, while retaining the safety, convenience and maneuverability of a traditional jet design.

We intended to market our water-jet system for commercial use under the name "WorkJET." With more thrust at low boat speeds and larger load carrying capacity than previous marine engine types, our management believed that the WorkJET would operate efficiently both inshore and in heavy seas. It has the shallow draft of a jet, yet the stability, sea-keeping and dynamic breaking of a propeller in big swells. We believed that this market was ideal for our product because jet propulsion systems are preferred in the fishing industry for their shallow draft and ability to operate over nets.

Our goal was to sell the Quick Jet system in combination with available marine motors to boat manufacturers, who would produce boats incorporating the licensed technology. Since our inception, the Company has been unable to generate significant revenue from this business plan. In January 2005, we determined that we were unable to further pursue our business plan of developing marine jet propulsion systems for sale and licensing of the manufacturing rights without raising significant additional financing needed for further patent filings, Variable Marine Jet prototype development, marketing expenses, working capital and to fund the significant expense of operating as a public company.

On January 11, 2005, Mr. Jordan entered into a Securities Purchase Agreement ("Purchase Agreement") with Keating Reverse Merger Fund, LLC ("KRM Fund"), under which KRM Fund agreed to purchase, and Mr. Jordan agreed to sell, an aggregate of 15,306,500 shares of our common stock owned by him for a purchase price of $440,000, or $0.029 per share.

On January 20, 2005, we entered into an Assumption Agreement with Mr. Jordan and Intellijet Marine, Inc. ("Intellijet"), a Nevada corporation that we established as a wholly-owned subsidiary. Under the Assumption Agreement, we transferred all of our assets, except for 21,822,570 shares of common stock of Intellijet and approximately $2,500 in cash, to Intellijet. Intellijet agreed to assume all of our liabilities and obligations and to indemnify us for any loss we incur with respect to the assumed liabilities. Mr. Jordan and Intellijet also agreed to release us from any and all obligations and claims whatsoever.

On February 4, 2005, we completed the distribution of all 21,822,570 shares of common stock of Intellijet owned by us pro rata to our shareholders of record as of January 24, 2005. Pursuant to the distribution, each of our shareholders received one share of common stock of Intellijet for each one share of our common stock owned of by our shareholders on the record date. Intellijet is now an independent company and will continue to operate our former business of developing marine jet propulsion technology; supplying mechanical components under the Quick JetTM brand name; and licensing boat manufacturers to produce boats incorporating Intelllijet's systems.

Mr. Jordan completed the sale of his Company shares to KRM Fund on February 9, 2005. After the transfer of our marine propulsion assets and business to Intellijet, the Company was a public "shell" company with nominal assets, liabilities or ongoing operations whose sole business was to identify, evaluate and investigate various companies to acquire or with which to merge.

On April 14, 2005, we entered into an Exchange Agreement (the "Exchange Agreement") with Antik Denim, L.L.C., a California limited liability company ("Antik"), the members of Antik (the "Antik Members"), and KRM Fund. The closing of the transactions contemplated by the Exchange Agreement occurred on April 29, 2005. At the closing, we acquired all of the outstanding membership interests of Antik (the "Interests") from the Antik Members, and the Antik Members contributed all of their Interests to us. In exchange, we issued to the Antik Members 843,027 shares of our Series A Convertible Preferred Stock, par value $0.001 per share (the "Preferred Shares"), which, as a result of the approval by a substantial majority of our outstanding shareholders entitled to vote and the approval by our Board of Directors, of amendments to our Articles of Incorporation that (i) changed our name to Blue Holdings, Inc., (ii) increased our authorized number of shares of common stock to 75,000,000, and (iii) adopted a 1-for-29 reverse stock split, on June 7, 2005 converted into 708,984,875 shares of our common stock on a pre-reverse stock split basis and 24,447,783 shares of our common stock on a post-reverse stock split basis.

At the closing, Antik became our wholly-owned subsidiary. The exchange transaction was accounted for as a reverse merger (recapitalization) with Antik deemed to be the accounting acquirer, and us deemed to be the legal acquirer.

As a result of the closing of the transactions contemplated by the Exchange Agreement, the Antik Members (together with Elizabeth Guez, our Chief Operating Officer, and Patrick Chow, our Chief Financial Officer) hold approximately 93.7% of the outstanding shares of our common stock, and our shareholders existing immediately prior to the closing hold approximately 3.8% of our outstanding shares of common stock.

Following the closing of the transactions contemplated by the Exchange Agreement, Paul Guez, one of the former Antik Members, became our Chairman, Chief Executive Officer and President. Mr. Guez has over 30 years experience in the apparel industry and is best known as the founder of Sasson Jeans, which he founded in 1976. Since 1989, Mr. Guez has engaged in the design, marketing, manufacturing and wholesale distribution of premium fashion and denim collections, including for a growing stable of contemporary brands, such as U, Taverniti So Jeans, Duarte Jeans, Elvis, Memphis Blues and Grail Jeans.

Additionally, Philippe Naouri and Alexandre Caugant, French denim innovators, Antik's principal designers, and two of the former Antik Members continue to provide design services to us. Mr. Naouri has worked on such international brands as Diesel, Levi's and G-Star, and Mr. Caugant has worked on the GOA brand in France.

RECENT DEVELOPMENTS

On July 5, 2005, we entered into a ten-year License Agreement, effective July 1, 2005, with Yanuk Jeans, LLC ("Yanuk"). Under the terms of the License Agreement, we became the exclusive licensor for the design, development, manufacture, sale, marketing and distribution of Yanuk's "Yanuk" brand products to the wholesale and retail trade. We will pay to Yanuk a royalty of six percent (6%) of all net sales of the products licensed under the agreement and a guaranteed minimum royalty on a quarterly basis as further set forth in the License Agreement. In addition, during the term of the License Agreement, we have the option to purchase from Yanuk the property licensed under the License Agreement, consisting of certain trademarks and a design patent, at the fair market value of such property on the date of the exercise of the purchase option. Yanuk is wholly-owned by Paul Guez, our Chairman, Chief Executive Officer and President, and a majority shareholder. The License Agreement was approved by a majority of our Board of Directors including all of our independent directors.

On August 27, 2005, we opened a retail store in Los Angeles and assumed all the obligations of a 10-year property lease which was previously signed by Blue Concept LLC in April, 2005.

Effective September 8, 2005, Antik entered into a Licensing Term Sheet (the "Term Sheet") with Titan Industries, Inc., a California corporation ("Titan").

Pursuant to the Term Sheet, Antik agreed to enter into a formal license agreement to provide Titan with an exclusive right to use the "Antik Denim" trademark for the sale of men's and women's footwear in the United States and its possessions and territories, Canada and Mexico, and to provide a right of first refusal for similar use of the trademark in Europe and South America. Compensation for use of the "Antik Denim" trademark will consist of a royalty calculated as 6% of Titan's net sales. Titan has agreed to guarantee payment of royalties on identified minimum net sales amounts ranging from $1.5 to $15 million over each of the next six years, and to spend at least 2% of such minimum net sales amounts during each year on advertising its Antik Denim trademarked products. The royalty amount may be adjusted downward in the event that Antik's gross sales do not reach $20 million during any single year of the term of the formal license agreement.

The formal license agreement will have a term of forty-two (42) months, with one five year renewal option, provided, however, Titan will be entitled to terminate the agreement after the first eighteen (18)

months to the extent that sales of its Antik Denim trademarked products are not satisfactory in its discretion. Titan is to pay $22,500 upon execution of the formal license agreement as an advance against royalties due for the first year. Pursuant to the Term Sheet, the formal license agreement must be entered into within 30 days of the execution of the Term Sheet, and if for any reason it is not executed, the Term Sheet will be deemed to be a binding licensing agreement and all missing terms will be deemed to be those which are usual and customary in the industry.

On October 6, 2005, we entered into a five-year License Agreement, effective October 5, 2005, with Yanuk. Under the terms of the License Agreement, we became the exclusive licensor for the design, development, manufacture, sale, marketing and distribution of Yanuk's "U" brand products to the wholesale and retail trade. We will pay to Yanuk a royalty of five percent (5%) of all net sales of the products licensed under the agreement and a guaranteed minimum royalty on an annual basis as further set forth in the License Agreement. In addition, during the term of the License Agreement, we have the option to purchase from Yanuk the property licensed under the License Agreement, consisting of certain trademark applications and a copyright, at the fair market value of such property on the date of the exercise of the purchase option. Yanuk is wholly-owned by Paul Guez, our Chairman, Chief Executive Officer and President, and a majority shareholder. The License Agreement was approved by a majority of our Board of Directors including all of our independent directors. As a result of the license, we will continue to implement our multi-brand strategy and will design, develop, market and distribute jeans and accessories at price points different from those of Antik Denim and Yanuk.

BUSINESS OF BLUE HOLDINGS, INC.

GENERAL OVERVIEW

We, directly and through our wholly-owned subsidiary, Antik Denim, L.L.C., which was formed in September 2004, design, develop, manufacture, market, distribute and sell high end fashion jeans, apparel and accessories. We market, distribute and sell "Antik Denim" and, as a result of a recent license agreement with Yanuk, "Yanuk" brand products in the United States, and internationally in countries that include, but are not limited to, Canada, Belgium, France, Germany, Sweden, Italy, Mexico and Japan. We plan to also design, develop, market and distribute jeans and accessories under other brands that we may license or acquire from time to time.

We market and distribute our products by participating in industry trade shows, as well as through our show rooms in Los Angeles and New York. We maintain distributor relationships in the United Kingdom, France, Germany, Sweden, Greece, Belgium, Italy, Mexico and Japan. With respect to the Antik Denim brand, except for Mexico and Japan, we currently have no exclusive or long term distribution agreements with any party covering any territory, and do not depend on any single distributor to distribute our products. With respect to the Yanuk brand, except for Mexico and Japan, we currently have no exclusive or long term distribution agreements with any party covering any territory, and do not depend on any single distributor to distribute our products. Our distributors often, but not always, purchase products from us at a discount for resale to their customers in their respective territories. Our distributors warehouse our products at their expense and they ship to and collect payment from their customers directly.

Our products are sold in the United States to department stores and boutiques such as Saks Fifth Avenue, Neiman Marcus, Nordstrom, Barney's, Bloomingdales, Bergdorf Goodman, Atrium, Fred Segal, Intermix, Kitson, and Bendel, as well as smaller boutiques throughout the country.

Our products are sold internationally to department stores and boutiques such as Lane Crawford in Hong Kong, Harrods and Harvey Nichols in the United Kingdom, Barneys and Isetan in Japan, Galleries Lafayette in France, and Holt Renfrew in Canada.

We intend to operate certain flagship stores domestically and to license overseas operators to open retail stores that focus on high end fashion denim generally, and the Antik Denim and Yanuk brands, in particular. While there is no existing plan with respect to the roll-out of such stores, the first retail store was opened on August 27, 2005 on Melrose Avenue in Los Angeles.

We also intend to license our proprietary owned and licensed trademarks with respect to products that we believe are not in our core line of business. While there is no existing plan with respect to the types of products to which we intend to license our proprietary trademarks, on September 8, 2005, Antik entered into a term sheet license agreement with Titan Industries, Inc. that provides Titan with an exclusive right to use the "Antik Denim" trademark for the sale of men's and women's footwear in the United States and its possessions and territories, Canada and Mexico, and a right of first refusal for similar use of the trademark in Europe and South America.

EMPLOYEES

As of July 31, 2005, we had 79 employees, not including our three executive officers, Paul Guez, our Chairman, Chief Executive Officer and President, Elizabeth Guez, our Chief Operating Officer, and Patrick Chow, our Chief Financial Officer and Secretary. Of those employees, 17 are employed on a full time basis. The remaining 62 employees are part-time and season based employees. All of our employees are allocated under a service agreement with Blue Concept, LLC, an entity co-owned by Paul and Elizabeth Guez. A description of that service agreement is set forth below in the section entitled "Description of Property." Mr. Guez leads our product development, marketing and sales, and Ms. Guez oversees all product production, including our contract manufacturing activities. Our employees are not unionized and except as described in the paragraph below, no employees are subject to existing employment agreements.

Antik executed a letter agreement dated March 21, 2005 with Messrs. Naouri and Caugant, two of its principal designers and former members, pursuant to which Antik agreed that, to the extent Antik closed its exchange transaction with us, Antik would, or would use its best efforts to cause us to, enter into employment agreements with each of Messrs. Naouri and Caugant whereby such individuals would (i) perform fashion design services for Antik or us, (ii) be entitled to receive annual salaries of $240,000, plus bonuses based on net sales arising from "Antik Denim" brand apparel, and (iii) be entitled to receive such other benefits as Antik or we may elect to offer to our other employees from time to time. On July 8, 2005, we entered into an Employment Agreement with Philippe Naouri based on the foregoing letter agreement entered into with Antik. This agreement was amended on August 23, 2005. Pursuant to the terms of Mr. Naouri's employment agreement, as amended, Mr. Naouri was engaged by us as a fashion director and senior vice president in charge of design, development, manufacturing, marketing and wholesale of apparel and related accessories bearing the "Antik Denim" trademark for a term of 5 years commencing on July 11, 2005 and terminating on July 10, 2010. Mr. Naouri will receive an annual salary of $240,000. Mr. Naouri is entitled to participate in our bonus, incentive stock option, savings and retirement plans as such plans become available. We have not yet entered into an agreement with Mr. Caugant but anticipate doing so on or before the end of the fiscal year ended December 31, 2005.

OUR PRODUCTS

Our principal products are high end fashion jeans that we design, manufacture, market, distribute and sell, including through our wholly-owned subsidiary, Antik Denim, L.L.C., under the "Antik Denim"

and "Yanuk" labels. These jeans are sold in the United States and abroad to upscale retailers and boutiques.

We currently sell men's and women's styles and are in the process of launching a children's line, Antik Denim and Yanuk brand jeans are made from high quality fabrics milled in the United States, Japan, Italy and Spain and are processed with cutting edge treatments and finishes. Our concepts and designs, including Antik Denim's distinct vintage western flair, and our extraordinary fit, embellishments, patent pending pockets, unique finishes, hand stitching, embroidery detail and other attention to detail and quality give Antik Denim and Yanuk brand jeans and apparel a competitive advantage in the high end fashion jean market.

Our jeans are available in multiple combinations of washes, fabrics and finishes, with as many as 20 different combinations of colors, fabrics and finishes on certain styles. Indeed, we introduce new versions of our major styles each month - in different colors, washes and finishes. Although the majority of our sales arise from the sale of jean products, our product line is balanced by tops, including knits and wovens, and accessories, the sales of which we anticipate will continue to grow.

With the recent license of the "U" brand from Yanuk, we plan to design, develop, market and distribute jeans and accessories under the "U" brand at price points different from those of Antik Denim and Yanuk.

PRODUCT STRATEGY

Our overall product strategy is to offer multiple brands of apparel in the premium and better denim segments. As a result of the License Agreement with Yanuk Jeans, LLC, we currently market our products under the Antik Denim and Yanuk brands and plan to continue to further expand our brand portfolio by acquisition and/or license of existing apparel companies and/or brands, as applicable, in the premium or better segments of the industry, or the creation of new brands by our internal design team. Our recent license of the "U" brand from Yanuk evidences this strategy. While no other definitive arrangement or plan is currently in place, we expect our management to periodically review potential acquisition targets and/or license partners and to make recommendations to our Board of Directors. Our goal to employ a multi-brand strategy diversifies the fashion and other risks associated with reliance on limited product lines. We believe the increase in demand for premium denim products over the last couple of years and relatively high retail price points for premium jeans, ranging from approximately $200 to $400, offers us a significant opportunity to increase our revenues and improve our profitability.

We also intend to license our proprietary owned and licensed trademarks with respect to products that we believe are not in our core line of business. While there is no existing plan with respect to the types of products to which we intend to license our proprietary trademarks, on September 8, 2005, Antik entered into a term sheet license agreement with Titan Industries, Inc. that provides Titan with an exclusive right to use the "Antik Denim" trademark for the sale of men's and women's footwear in the United States and its possessions and territories, Canada and Mexico, and a right of first refusal for similar use of the trademark in Europe and South America.

Over the last thirty years, Mr. Guez, our Chairman, Chief Executive

Officer and President, has engaged in the design, marketing, manufacturing and wholesale distribution of premium fashion and denim collections, including Sasson Jeans and more recently, a growing stable of contemporary brands, such as U, Taverniti So Jeans, Duarte Jeans, Elvis, Memphis Blues and Grail Jeans. Our principle designers, Philippe Naouri and Alex Caugant have previously assisted world-renowned casual apparel companies such as Chevignon, Diesel, GOA, and Replay in the design and development of successful brands and products.

OPERATING STRATEGY

Our operating strategy is to continue to build on our strengths in brand development, marketing, distribution, and product sourcing capabilities to become the leading company in the high fashion denim apparel industry. Our goal is to leverage the expertise and relationships gained by our executive management and product design teams' prior experience in creating and developing premium denim apparel brands, product sourcing and manufacturing in the US, Mexico, and Asia, and distributing to high-end retail channels both domestically and internationally.

Additionally, while we have a service agreement with Blue Concept in place, we have started to build our own team of professionals responsible for coordinating product manufacturing, material sourcing, and sales and marketing, all of whom have significant prior experience and established relationships in the denim apparel industry.

GROWTH STRATEGY

We plan to continue to expand our operations, revenues, and profits through our internal growth and the acquisition and/or license of complimentary apparel brands or companies that we may identify from time to time. We anticipate that our internal growth will be driven by (1) expansion of our product lines by introducing new styles and complimentary products and accessories, (2) expansion of our wholesale distribution, both domestically and internationally through high end retailers, and (3) the opening of select retail flagship stores domestically and the licensing of operators overseas to open stores to promote the identity of our brands. The first retail store opened on August 27, 2005 on Melrose Avenue in Los Angeles. The first product license, with respect to men's and women's footwear, was executed to be effective September 8, 2005. We anticipate that our growth strategy through acquisitions and/or licenses will involve the acquisition or license of additional companies and/or brands, as applicable, depending upon a company's and/or a brand's sales revenues, name and brand recognition, and/or synergies with the Antik Denim and Yanuk brands, with the ultimate goal of building a portfolio of lifestyle brands in the premium and better segments of the denim industry. Our recent license of the "U" brand from Yanuk evidences this strategy. While no other definitive arrangement or plan is currently in place, we expect our management to periodically review potential acquisition targets and/or licensing partners and to make recommendations to our Board of Directors.

SUPPLY STRATEGY

We purchase our fabric, thread and other raw materials from various industry suppliers within the United States and abroad. We do not currently have any long-term agreements in place for the supply of our fabric, thread or other raw materials. The fabric, thread and other raw materials used by us are available from a large number of suppliers worldwide. During the six months ended June 30, 2005 only one supplier comprised greater than 10% of the

Company's purchases. Purchases from this supplier comprised 13.3%.

MANUFACTURING

We presently outsource all of our manufacturing to contract vendors using just in time ordering. We use several contract vendors for our manufacturing needs with the bulk of purchases (approximately 70%) currently occurring from domestic (U.S.) factories. We are increasing the use of factories in Mexico and the Far East. We are not reliant on any one manufacturer and manufacturing capacity is readily available to meet our current and planned needs. We maintain rigorous quality control systems for both raw and finished goods. To maintain low fixed expenses, we will continue to outsource the vast majority of our production. We will add additional contractors as required to meet our needs.

We believe we can realize significant cost savings in product manufacturing because of our strong relationships with a diverse group of U.S. and international contract manufacturers established by our management team through their prior experience in the apparel industry. Also the increase in production volume as a result of our multi-brand strategy will give us economies of scale to achieve more cost savings.

COMPETITION

The high-end fashion denim industry is very competitive and fragmented. Our competitors are companies such as Levi Strauss, Calvin Klein, Joe's Jeans, True Religion Apparel, Seven For All Mankind and Citizens of Humanity.

Our competitive edge lies in our ability to create innovative concepts and designs, to develop products with extraordinary fit, and to expand our high quality fabrics and finishes, treatments and embellishments (including our patent pending pockets, hand stitching and embroidery detail). We believe that we offer value products that can successfully compete in the high end fashion denim industry.

TRADEMARKS AND OTHER INTELLECTUAL PROPERTY

Antik is the holder of trademark applications for the "Antique Denim" and "Antik Denim" marks in the United States and various other foreign jurisdictions. Antik also owns several proprietary concepts and designs, including pending trademark and patent applications on its pocket designs. Yanuk, from whom we hold exclusive licenses to exploit products based on the "Yanuk" and "U" brands, is the holder of several United States and foreign trademarks. We anticipate continuing to expand the Antik Denim and Yanuk brands, and the newly licensed "U" brand, and their proprietary trademarks and designs, worldwide. We also anticipate taking, and have already taken, coordinated action to curb an increase in the domestic and international counterfeiting of Antik's stylized pocket design and other intellectual property, including, without limitation, through litigation if necessary.

GOVERNMENT REGULATION AND SUPERVISION

We benefit from certain international treaties and regulations, such as the North American Free Trade Agreement (NAFTA), which allows for the duty and quota free entry into the United States of certain qualifying merchandise. International trade agreements and embargoes by entities such as the World Trade Organization also can affect our business, although their impact has historically been favorable as it relates to Antik and Yanuk.

We have implemented various programs and procedures, including unannounced inspections, to ensure that all of the apparel manufacturers with whom we contract fully comply with employment and safety laws and regulations governing their place of operation.

RESEARCH AND DEVELOPMENT

Mr. Guez, along with a team of designers, is responsible for the design and development of our product lines. There is no formal research and development plan at this time, however, since inception, we have apportioned significant resources on our research and development activities related to our designs.

FACILITIES

PRINCIPAL EXECUTIVE OFFICES

Our principal executive offices are located at 5804 E. Slauson Ave., Commerce California 90040. Our telephone number is (323) 725-5555.

DESCRIPTION OF PROPERTY

Our offices and warehouse are located in Commerce, California. It is from this facility that we conduct all of our executive and administrative functions, and ship products to our customers. We also maintain showrooms in both Los Angeles and New York City. The cost of operations at the Commerce facility and the showrooms is shared by several companies and is allocated to us pursuant to our service agreement with Blue Concept, LLC. We utilize approximately 15,000 sq. ft. of the Commerce, California facility and pay approximately $15,000 per month pursuant to this agreement with Blue Concept, LLC. We believe that the facilities utilized by us are well maintained, in good operating condition and adequate to meet our current and foreseeable needs.

The service agreement with Blue Concept also provides that (i) in consideration of a monthly service fee of $78,500, Blue Concept provides us services in the following areas: MIS, human resources, sales, customer service, EDI Support, quality control, purchasing, import/export services, graphic design, laundry and distribution; and (ii) we share with Blue Concept 15% of the actual telephone, utilities and office supply expenses incurred by Blue Concept, as evidenced by actual invoices presented to us.

On August 27, 2005, we opened a retail store in Los Angeles and assumed all the obligations of a 10-year property lease which was previously signed by Blue Concept LLC in April, 2005.

LEGAL PROCEEDINGS

Except as described below, we are not involved in any legal proceedings that require disclosure in this report.

On August 22, 2005, Antik filed a lawsuit against two companies that we believe have encroached on its highly identifiable, stylized pocket design. The complaint was filed in the United States District Court in Los Angeles against Turn On Products, Inc., d/b/a Younique Clothing, and Alloy Incorporated. The unique design in question is copyrighted, and is the subject of pending trademark and design patent registration claims. The complaint alleges, among other matters, that the companies are violating federal and state trademark, copyright, unfair trade practices and unfair competition statutes and laws, and seeks damages and injunctive relief against all parties.

MANAGEMENT

EXECUTIVE OFFICERS AND DIRECTORS

The following table sets forth the name, age and position of each of our executive officers and directors at October 3, 2005.

NAME	AGE	POSITION HELD
Paul Guez (1)	60	Chairman, Chief Executive Officer and President
Patrick Chow	52	Chief Financial Officer and Secretary
Elizabeth Guez (1)	52	Chief Operating Officer
Kevin R. Keating	65	Director
Marshall Geller	66	Director

----

(1) Paul Guez and Elizabeth Guez are married.

PAUL GUEZ became our Chairman, Chief Executive Officer and President on April 29, 2005. Mr. Guez is the sole Manager of Antik, and is co-owner and Chief Executive Officer of Blue Concept, LLC and its several affiliates, which are engaged in the design, marketing, manufacturing and wholesale distribution of premium fashion collections for a growing stable of contemporary brands, including Yanuk (which we exclusively licensed in July 2005), U (which we exclusively licensed in October 2005), Taverniti So Jeans, Duarte Jeans, Elvis, Memphis Blues and Grail Jeans. For the nine year period prior to the formation of Blue Concept in 2002, Mr. Guez co-operated Azteca Production International, Inc., a Los Angeles based manufacturer of denim apparel. Mr. Guez started his career in the apparel industry in 1976, when he launched Sasson Jeans.

PATRICK CHOW became our Chief Financial Officer and Secretary on April 29, 2005. Mr. Chow was Chief Financial Officer and a director of Tarrant Apparel Group from January 2002 to August 2004 and stayed as a consultant until January, 2005. He joined Tarrant as Treasurer in November, 1998. From 1996 to 1998, he served as General Manager of Fortune Chart Consultants Limited in Hong Kong where he provided financial consulting services to corporate clients. Mr. Chow has a Bachelor of Arts degree from the University of Hong Kong and two diplomas in Banking and Financial Studies from the Chartered Institute of Bankers, United Kingdom.

ELIZABETH GUEZ became our Chief Operating Officer on April 29, 2005. Ms. Guez is also the Chief Operating Officer for Blue Concept, LLC and several of its affiliates. From 1970 through 1978, Ms. Guez attended Monmouth (West Longbranch, NJ) and Fashion Institute of Technology of New York City. From 1974-1982, she held various buying and store line positions for the Bamberger/Macy organization. Ms. Guez subsequently held various sales and merchandising positions with Esprit de Corp, Chaus, and Jag of Beverly Hills.

KEVIN R. KEATING has served on our Board of Directors since January 2005 and prior to the consummation of our exchange transaction with Antik, served as our sole officer and director. Mr. Keating is an investment executive and for the past nine years has been the Branch Manager of the Vero Beach, Florida, office of Brookstreet Securities Corporation. Brookstreet is a full-service, national network of independent investment professionals. Mr. Keating services the investment needs of private clients with special emphasis on equities. He is currently a director of public companies including 99 Cent Stuff Inc., Catalyst Lighting Group, Inc., Wentworth I, Inc., Qorus.com, Inc., Multilink Telecommunications, Inc., and Century Pacific Financial Corporation. For more than 35 years, he has been engaged in various aspects of the investment brokerage business. Mr. Keating began his Wall Street career with the First Boston Company in New York in 1965. From 1967 through 1974, he was employed

by several institutional research boutiques where he functioned as Vice President Institutional Equity Sales. From 1974 until 1982, Mr. Keating was the President and Chief Executive Officer of Douglas Stewart, Inc., a New York Stock Exchange member firm. Since 1982, he has been associated with a variety of firms as a registered representative servicing the needs of individual investors. Mr. Keating is also the manager and sole member of Vero Management, LLC, which had a management agreement with Marine that was terminated effective as of the Closing.

MARSHALL GELLER became a member of our Board of Directors on August 1, 2005. Mr. Geller is a co-founder and Senior Managing Director of St. Cloud Capital Partners, L.P., a Los Angeles, California-based mezzanine fund formed in December 2001. He is also the Chairman and CEO of Geller & Friend Capital Partners, a Los Angeles based private merchant bank. He has extensive experience initiating, arranging and making investments in public and private companies. Mr. Geller spent over twenty years as Senior Managing Director for Bear, Stearns & Company, with oversight of all operations in Los Angeles, San Francisco, Chicago, Hong Kong and the Far East. He is currently a director of public companies including 1st Century Bank, NA, ValueVision Media, Inc., GP Strategies Corporation and Viking Systems, Inc. Mr. Geller also serves as a member of the Board of Governors of Cedars-Sinai Medical Center, Los Angeles. He was previously the Interim Co-Chairman of Hexcel Corporation and Interim President and COO of Players International, Inc. Mr. Geller graduated from California State University, Los Angeles, with a BS in Business Administration, where he currently serves on the Dean's Advisory Council for the College of Business & Economics.

BOARD COMPOSITION AND COMMITTEES

Our board of directors currently consists of three members. Each director was elected either at a meeting of shareholders or by written consent of the shareholders and serves until our next annual meeting or until his or her successor is duly elected and qualified.

Our board has an Audit Committee which is comprised of the Board's two independent directors, Messrs. Keating and Geller. Mr. Keating is the Chairman of the Audit Committee. Our board does not have a compensation committee or nominating and corporate governance committee. The functions customarily delegated to these committees are performed by our full board of directors. We intend to establish each of these committees to the extent we expand our board to include at least three directors who are independent directors under the applicable rules of the SEC and NASDAQ.

DIRECTOR COMPENSATION

Our two non-employee directors receive cash compensation equal to

$5,000 per year, paid quarterly, for their services as directors, and are also reimbursed for their reasonable expenses incurred on our behalf or in attending meetings. Additionally, the chairman of the Board's Audit Committee receives cash compensation equal to $2,000 per year, paid quarterly, for his services as the Chairman. In August 2005, we granted each of Messrs. Keating and Geller, our two non-employee directors, an option to purchase 30,000 shares of our common stock at an exercise price of $8.10 per share. These options were granted under our 2005 Stock Incentive Plan. At the same time, we granted to Mr. Keating an option to purchase an additional 2,000 shares of our common stock at an exercise price of $8.10 per share in consideration for his service as Chairman of the Board's Audit Committee.

EXECUTIVE COMPENSATION

SUMMARY COMPENSATION TABLE

The following table sets forth, as to the Chief Executive Officer and as to each of the other four most highly compensated executive officers whose compensation exceeded $100,000 during the last fiscal year, information concerning all compensation paid for services to us in all capacities for our last completed fiscal year, which commenced on September 13, 2004 (the inception of Antik Denim, L.L.C.) and ended December 31, 2004. The compensation table excludes other compensation in the form of perquisites and other personal benefits that constituted less than 10% of the total annual salary and bonus for the executive officer during the applicable fiscal year.

		ANNUAL COMPENSATION			LONG-TERM COMPENSATION AWARDS
NAME AND PRINCIPAL POSITION	FISCAL YEAR ENDED DECEMBER 31,	SALARY	BONUS	OTHER ANNUAL COMPENSATION	NUMBER OF SECURITIES UNDERLYING OPTIONS
Paul Guez........... Chief Executive Officer and Manager	2004	Nil	Nil	Nil	Nil

----

Under the terms of Antik's Operating Agreement dated to be effective September 13, 2004 (the "Operating Agreement"), by and among the Antik Members, including Mr. Guez, certain of the Antik Members (not including Mr. Guez) were entitled to receive, and were receiving since September 13, 2004, distributions under the Operating Agreement. Since inception through December 31, 2004, such distributions totaled $79,190. At the closing of the transactions contemplated by the Exchange Agreement with Antik, the terms and conditions of the Operating Agreement terminated and those Antik Members previously receiving distributions are no longer entitled to such distributions. At the closing, we became the sole member of Antik and have established such terms and conditions with respect to the operation and governance of Antik as we deem appropriate.

OPTION GRANTS IN 2004

Antik is a limited liability company formed under the laws of the State of California. During the period from its inception (September 13, 2004) through

December 31, 2004, it did not maintain any membership interest option or profits interest plan. Accordingly, Antik did not grant options to purchase membership or profits interests during the period from its inception (September 13, 2004) through December 31, 2004.

2005 STOCK INCENTIVE PLAN

Our 2005 Stock Incentive Plan was adopted and became effective in May 2005. A total of 2,500,000 shares of common stock have been reserved for issuance upon exercise of awards granted under the 2005 Stock Incentive Plan. Any shares of common stock subject to an award, which for any reason expires or terminates unexercised, are again available for issuance under the 2005 Stock Incentive Plan.

Our 2005 Stock Incentive Plan will terminate after 10 years from the date on which our board approved the plan, unless it is terminated earlier by our board. The plan authorizes the award of stock options and stock purchase grants.

Our 2005 Stock Incentive Plan is administered by our full board of directors. To the extent we expand our board of directors, we intend to form a compensation committee, all of the members of which will be independent directors under applicable federal securities laws and outside directors as defined under applicable federal tax laws. Following its formation, the compensation committee will have the authority to construe and interpret the plan, grant awards and make all other determinations necessary or advisable for the administration of the plan.

Our 2005 Stock Incentive Plan provides for the grant of both incentive stock options that qualify under Section 422 of the Internal Revenue Code and nonqualified stock options. Incentive stock options may be granted only to employees of ours or any parent or subsidiary of ours. All awards other than incentive stock options may be granted to our employees, officers, directors, consultants, independent contractors and advisors of ours or any parent or subsidiary of ours. The exercise price of incentive stock options must be at least equal to the fair market value of our common stock on the date of grant. The exercise price of incentive stock options granted to 10% shareholders must be at least equal to 110% of that value. The exercise price of nonqualified stock options will be determined by our compensation committee when the options are granted.

In general, options will vest over a four-year period. The term of options granted under our 2005 Stock Incentive Plan may not exceed 10 years.

Awards granted under our 2005 Stock Incentive Plan may not be transferred in any manner other than by will or by the laws of descent and distribution or as determined by our compensation committee. Unless otherwise restricted by our compensation committee, nonqualified stock options may be exercised during the lifetime of the optionee only by the optionee, the optionee's guardian or legal representative or a family member of the optionee who has acquired the option by a permitted transfer. Incentive stock options may be exercised during the lifetime of the optionee only by the optionee or the optionee's guardian or legal representative. Options granted under our 2005 Stock Incentive Plan generally may be exercised for a period of three months after the termination of the optionee's service with us or any parent or subsidiary of ours. Options will generally terminate immediately upon termination of employment for cause.

The purchase price for restricted stock will be determined by our board of directors or compensation committee, as applicable, at the time of grant. Stock bonuses may be issued for past services or may be awarded upon the completion of services or performance goals.

If we are subject to a change in control transaction, all outstanding awards may be assumed or replaced with a substitute grant by the successor company, if any. If the outstanding awards are not assumed by a successor company, if any, then all remaining unexercised options shall become vested and fully exercisable.

EMPLOYMENT CONTRACTS

Except as described in this section, we and Antik are not parties to any employment agreements with any of our respective executive officers.

Antik executed a letter agreement dated March 21, 2005 with Messrs. Naouri and Caugant, two of its principal designers and former members, pursuant to which Antik agreed that, to the extent Antik closed its exchange transaction with us, Antik would, or would use its best efforts to cause us to, enter into employment agreements with each of Messrs. Naouri and Caugant whereby such individuals would (i) perform fashion design services for Antik or us, (ii) be entitled to receive annual salaries of $240,000, plus bonuses based on net sales arising from "Antik Denim" brand apparel, and (iii) be entitled to receive such other benefits as Antik or we may elect to offer to our other employees from time to time. On July 8,

2005, we entered into an Employment Agreement with Philippe Naouri based on the foregoing letter agreement entered into with Antik. This agreement was amended on August 23, 2005. Pursuant to the terms of Mr. Naouri's employment agreement, as amended, Mr. Naouri was engaged by us as a fashion director and senior vice president in charge of design, development, manufacturing, marketing and wholesale of apparel and related accessories bearing the "Antik Denim" trademark for a term of 5 years commencing on July 11, 2005 and terminating on July 10, 2010. Mr. Naouri will receive an annual salary of $240,000. Mr. Naouri is entitled to participate in our bonus, incentive stock option, savings and retirement plans as such plans become available. We have not yet entered into an agreement with Mr. Caugant but anticipate doing so on or before the end of the fiscal year ended December 31, 2005.

INDEMNIFICATION OF DIRECTORS AND EXECUTIVE OFFICERS AND LIMITATION OF LIABILITY

The Nevada Revised Statutes and certain provisions of our Bylaws under certain circumstances provide for indemnification of our officers, directors and controlling persons against liabilities which they may incur in such capacities. A summary of the circumstances in which such indemnification is provided for is contained herein, but this description is qualified in its entirety by reference to our bylaws and to the statutory provisions.

In general, any officer, director, employee or agent may be indemnified against expenses, fines, settlements or judgments arising in connection with a legal proceeding to which such person is a party, if that person's actions were in good faith, were believed to be in our best interest, and were not unlawful. Unless such person is successful upon the merits in such an action, indemnification may be awarded only after a determination by independent decision of the board of directors, by legal counsel, or by a vote of the shareholders, that the applicable standard of conduct was met by the person to be indemnified.

The circumstances under which indemnification is granted in connection with an action brought on our behalf is generally the same as those set forth above; however, with respect to such actions, indemnification is granted only with respect to expenses actually incurred in connection with the defense or settlement of the action. In such actions, the person to be indemnified must have acted in good faith and in a manner believed to have been in our best interest, and have not been adjudged liable for negligence or misconduct.

Indemnification may also be granted pursuant to the terms of agreements which may be entered in the future or pursuant to a vote of shareholders or directors. The statutory provision cited above also grants the power to us to purchase and maintain insurance which protects our officers and directors against any liabilities incurred in connection with their service in such a position, and such a policy may be obtained by us.

We have entered into separate but identical Indemnification agreements (the "Indemnification Agreements") with each of our directors and ex