

BLUE HOLDINGS, INC.
Form 10-Q/A
October 01, 2008

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

**FORM 10-Q/A
(Amendment No. 1)**

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

For the Quarterly Period Ended: June 30, 2007

Commission File Number: 000-33297

BLUE HOLDINGS, INC.
(Exact name of registrant as specified in its charter)

Nevada
(State or other jurisdiction of
incorporation or organization)

88-0450923
(IRS Employer
Identification No.)

4901 Zambrano St., Commerce, CA 90040
(Address of principal executive offices)

(323) 726-0297
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer.

Large Accelerated Filer

Accelerated Filer

Non-accelerated Filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

As of August 13, 2007, 26,232,200 shares of the registrant's common stock were outstanding.

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EXPLANATORY NOTE

Blue Holdings, Inc. is filing this Amendment No. 1 to its Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2007 filed with the Securities and Exchange Commission on August 14, 2007 (the "Form 10-Q"). This filing amends and restates our unaudited condensed consolidated balance sheet as of June 30, 2007, and the condensed consolidated statements of operations, stockholders equity (deficiency), and cash flows for the three and six month periods ending June 30, 2007 to reflect the Company's failure to record \$1,302,842 of inventory purchased from a vendor that was directly paid for by Mr. Guez. The Company has now agreed to a settlement with Mr. Guez relating to these disputed amounts. The effects of the settlement agreement on the Form 10-Q for the three and six months ending June 30, 2007 are detailed in Note 1(d) of the accompanying restated condensed consolidated financial statements.

This Amendment No. 1 amends and restates the following items of the Form 10-Q as described above: (i) Part I, Item 1 – Financial Statements; (ii) Part I, Item 2 – Management's Discussion and Analysis of Result of Operations and Financial Condition; (iii) Part I, Item 4 – Controls and Procedures and (iv) Part II, Item 6 - Exhibits.

All information in the Form 10-Q, as amended by this Amendment No. 1, speaks as to the date of the original filing of our Form 10-Q for such period and does not reflect any subsequent information or events except as noted in this Amendment No. 1. All information contained in this Amendment No. 1 is subject to updating and supplementing as provided in our reports, as amended, filed with the Securities and Exchange Commission subsequent to the date of the initial filing of the Form 10-Q.

PART I
ITEM 1.

CONDENSED FINANCIAL STATEMENTS

BLUE HOLDINGS INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

	June 30, 2007 (As restated) (Unaudited)	December 31, 2006
ASSETS		
Current assets:		
Cash	\$ 184,519	\$ 109,031
Due from factor, net of reserves of \$185,417 and \$178,801, respectively	1,239,041	1,366,588
Accounts receivable, net of reserves of \$1,169,330 and \$901,941, respectively:		
- Purchased by factor with recourse	6,279,254	7,662,198
- Others	386,569	19,312
Inventories, net of reserves of \$1,030,655 and \$1,742,893 respectively	8,461,464	5,394,006
Due from related parties	-	-
Income taxes receivable	2,016,875	2,030,919
Deferred income taxes	1,956,388	2,488,082
Prepaid expenses and other current assets	1,308,530	396,810
Total current assets	21,832,640	19,466,946
Deferred income taxes	774,293	-
Property and equipment, net of accumulated depreciation	1,648,022	1,611,171
Total assets	\$ 24,254,955	\$ 21,078,117
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Bank overdraft	811,773	\$ 266,788
Accounts payable	1,474,783	2,820,024
Short-term borrowings	14,069,439	10,026,814
Due to related parties	125,734	710,153
Advances from majority shareholder	3,343,958	1,876,991
Current portion of liability for unrecognized tax benefits	96,850	-
Accrued expenses and other current liabilities	1,674,769	2,133,932
Total current liabilities	21,597,306	17,834,702
Non-current portion of liability for unrecognized tax benefits	170,884	
Total liabilities	21,768,190	17,834,702
Stockholders' equity:		
Common stock \$0.001 par value, 75,000,000 shares authorized, 26,232,200 and 26,057,200 shares issued and outstanding, respectively	26,232	26,057
Additional paid-in capital	5,329,163	4,964,091
Accumulated deficit	(2,868,630)	(1,746,733)
Total stockholders' equity	2,486,765	3,243,415
Total liabilities and stockholders' equity	\$ 24,254,955	\$ 21,078,117

SEE NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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BLUE HOLDINGS INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)
FOR THE THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 2007 AND 2006

	—Three Months Ending—		—Six Months Ending—	
	2007 (As restated)	2006	2007 (As restated)	2006
Net sales	\$ 8,401,971	\$ 15,180,652	\$ 16,842,193	\$ 27,058,531
Cost of goods sold	4,973,237	7,752,299	8,581,433	13,680,915
Gross profit	3,428,734	7,428,353	8,260,760	13,377,616
Selling, distribution & administrative expenses	4,057,091	4,322,680	8,577,659	8,923,087
Income (loss) before other expenses and provision for income taxes	(628,357)	3,105,673	(316,899)	