

TRADEMARK ASSIGNMENT

Electronic Version v1.1
 Stylesheet Version v1.1

SUBMISSION TYPE:	NEW ASSIGNMENT
NATURE OF CONVEYANCE:	SECURITY INTEREST

CONVEYING PARTY DATA

Name	Formerly	Execution Date	Entity Type
Blue Holdings, Inc.		03/06/2008	CORPORATION: NEVADA
Antik Denim, LLC		03/06/2008	LIMITED LIABILITY COMPANY: CALIFORNIA
Taverniti So Jeans, LLC		03/06/2008	LIMITED LIABILITY COMPANY: CALIFORNIA

RECEIVING PARTY DATA

Name:	FTC Commercial Corporation
Street Address:	1525 South Broadway Street
City:	Los Angeles
State/Country:	CALIFORNIA
Postal Code:	90015
Entity Type:	CORPORATION: CALIFORNIA

PROPERTY NUMBERS Total: 6

Property Type	Number	Word Mark
Registration Number:	3372838	ANTIK DENIM
Serial Number:	78787735	ANTIK DENIM
Registration Number:	3191284	
Serial Number:	78441487	TAVERNITI SO JEANS
Registration Number:	2867990	YANUK
Registration Number:	3022089	U

CORRESPONDENCE DATA

Fax Number: (213)745-8887
Correspondence will be sent via US Mail when the fax attempt is unsuccessful.
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 Correspondent Name: Sandy S. Chung, Esq.

OP \$165.00 3372838

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ATTORNEY DOCKET NUMBER:	BLUE HOLDINGS
NAME OF SUBMITTER:	Sandy S. Chung
Signature:	/Sandy S. Chung/
Date:	04/08/2008

Total Attachments: 18

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INTELLECTUAL PROPERTY SECURITY AGREEMENT

This INTELLECTUAL PROPERTY SECURITY AGREEMENT (this "Security Agreement") is made as of March 6, 2008, by and between BLUE HOLDINGS, INC., ("Blue Holdings"), and all of the subsidiaries of Blue Holdings (such subsidiaries, the "Subsidiaries," and together with Blue Holdings, the "Blue Entities"), on the one hand, and FTC COMMERCIAL CORP. ("FTC"), on the other hand.

WITNESSETH

WHEREAS, FTC and Blue Holdings have entered into that certain Factoring Agreement dated July 25, 2005, that certain Inventory Loan Facility Agreement dated July 25, 2005, and various related and/or subsequent agreements and/or amendments (as the same may hereafter be amended, supplemented or otherwise modified from time to time, the "FTC-Blue Holdings Agreements"); and

WHEREAS, FTC and Antik Denim, LLC ("Antik"), one of Blue Holdings' subsidiaries, have entered into that certain Factoring Agreement dated October 18, 2004, that certain Inventory Loan Facility Agreement dated July 25, 2005, and various related and/or subsequent agreements and/or amendments (as the same may hereafter be amended, supplemented or otherwise modified from time to time, the "FTC-Antik Agreements"); and

WHEREAS, FTC and Taverniti So Jeans, LLC ("Taverniti"), one of Blue Holdings' subsidiaries, have entered into that certain Factoring Agreement dated November 22, 2004, that certain Inventory Loan Facility Agreement dated October 31, 2005, and various related and/or subsequent agreements and/or amendments (as the same may hereafter be amended, supplemented or otherwise modified from time to time, the "FTC-Taverniti Agreements") (the FTC-Blue Holdings Agreements, the FTC-Antik Agreements, and the FTC-Taverniti Agreements collectively referred to as the "FTC Agreements"); and

WHEREAS, to secure the full and prompt payment, performance and satisfaction of all liabilities, obligations and indebtedness of the Blue Entities to FTC under the FTC Agreements (the "Indebtedness"), the Blue Entities have granted to FTC a security interest in all of the personal property assets of the Blue Entities, including, without limitation, the Blue Entities' intellectual property;

NOW, THEREFORE, in consideration of the premises set forth herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Blue Entities, on the one hand, and FTC, on the other hand, agree as follows:

1. CERTAIN DEFINED TERMS. As used in this Agreement, the following terms shall have the meanings set forth below:

"Copyright" means copyrights and copyright registrations, including without limitation the copyright registrations and recordings listed on Schedule A attached hereto, if any, in which the Blue Entities have any right, title and interest, and (i) all reissues, continuations, extensions or renewals thereof, (ii) all income,

royalties, damages and payments now and hereafter due and/or payable under and with respect thereto, subject to payment to any co-owner of its, his or her share thereof, including without limitation payments under all licenses entered into in connection therewith and damages and payments for past or future infringements thereof, (iii) the right to sue for past, present and future infringements thereof, and (iv) all of the Blue Entities' rights corresponding thereto throughout the world.

"Intellectual Property Licenses" means rights under or interest in any patent, trademark, copyright or other intellectual property, including software license agreements with any other party, whether the Blue Entities, or any of them, are a licensee or licensor under any such license agreement, and the right to use the foregoing in connection with the enforcement of FTC's rights pursuant to the Security Agreement and the FTC Agreements.

"Patent" means patents and patent applications, including without limitation the patents and patent applications listed on Schedule A hereto and all continuations, divisionals, provisionals, continuations in part, or reissues of applications related to patents thereon, and (i) all renewals thereof, (ii) all income, royalties, damages and payments now and hereafter due and/or payable under and with respect thereto, subject to payment to any co-owner or inventor of its, his or her share thereof, including without limitation payments under all licenses entered into in connection therewith and damages and payments for past or future infringements or dilutions thereof, (iii) the right to sue for past, present and future infringements thereof, and (iv) all of the Blue Entities' rights corresponding thereto throughout the world.

"Trademark" means trademarks, trade names, registered trademarks, trademark applications, service marks, registered service marks and service mark applications, including without limitation the registered trademarks listed on Schedule A hereto, and (i) all renewals thereof, (ii) all income, royalties, damages and payments now and hereafter due and/or payable under and with respect thereto, subject to payment to any co-owner of its, his or her share thereof, including without limitation payments under all licenses entered into in connection therewith and damages and payments for past or future infringements or dilutions thereof, (iii) the right to sue for past, present and future infringements and dilutions thereof, (iv) the goodwill of the Blue Entities' business(es) symbolized by the foregoing and connected therewith, and (v) all of the Blue Entities' rights corresponding thereto throughout the world.

2. GRANT OF SECURITY INTEREST IN INTELLECTUAL PROPERTY COLLATERAL. To secure the payment, performance, and satisfaction by the Blue Entities of the Indebtedness, the Blue Entities hereby grant to FTC a first priority continuing security interest in all of the Blue Entities' right, title, and interest in, to, and under all of the Blue Entities' intellectual property (the "Intellectual Property"), which includes without limitation the following, whether now existing, owned, or used by the Blue Entities, or hereafter created, acquired, or used by the Blue Entities (collectively, the "Intellectual Property Collateral" or the "Collateral"):

(a) all of the Blue Entities' Patents and their rights under all Patent Intellectual Property Licenses to which one or more of them is a party, including those patents referred to on Schedule A hereto, including:

- (i) all registrations and applications in respect of the foregoing, including continuations, divisionals, provisionals, continuations in part, or reissues of applications and patents issuing thereon; and
- (ii) all products and proceeds of the foregoing, including without limitation any claim by one or more of the Blue Entities against third parties for past, present or future infringement of any Patent or any Patent licensed under any Intellectual Property License;

(b) all of the Blue Entities' Trademarks and their rights under all Trademark Intellectual Property Licenses to which one or more of them is a party, including those trademarks referred to on Schedule A hereto, including:

- (i) all registrations, applications, and renewals in respect of the foregoing;
- (ii) all goodwill of the business connected with the use of, and symbolized by, each Trademark and each Trademark licensed under an Intellectual Property License; and
- (iii) all designs, processes, techniques, packaging, and product configurations that are used for providing goods and services designated by any of the Trademarks; and
- (iv) all products and proceeds of the foregoing, including without limitation any claim by one or more of the Blue Entities against third parties for past, present or future (i) infringement or dilution of any Trademark or any Trademark licensed under any Intellectual Property License, or (ii) injury to the goodwill associated with any Trademark or any Trademark licensed under any Intellectual Property License; and

(c) all of the Blue Entities' Copyrights and their rights under all Copyright Intellectual Property Licenses to which one or more of them is a party, including those referred to on Schedule A hereto, including:

- (i) all registrations, applications, and renewals in respect of the foregoing; and
- (ii) all products and proceeds of the foregoing, including without limitation any claim by one or more of the Blue Entities against third parties for past, present or future infringement of any Copyright or any Copyright licensed under any Intellectual Property License.

3. AUTHORIZATION TO SUPPLEMENT. If the Blue Entities shall obtain rights to any new Intellectual Property (as defined in Paragraph 2 above), the provisions of this Agreement shall automatically apply thereto. The Blue Entities shall give FTC prompt written notice with respect to any new Intellectual Property, including without limitation all new federally registered trademarks and federal applications for trademark applications, if any. The Blue Entities represent that Schedule A is substantially accurate and complete but reserve the right from time to time to correct inaccuracies and/or omissions by giving FTC written notice thereof. Without limiting the Blue Entities' obligations under this Section 3, the Blue Entities hereby authorize FTC to unilaterally modify this Security Agreement by amending Schedule A to include any such corrections and other modifications and any such new Intellectual Property of the Blue Entities. Notwithstanding the foregoing, no failure to so modify this Security Agreement or amend Schedule A shall in any way affect, invalidate or detract from FTC's continuing security interest in all of the Intellectual Property, whether or not listed on Schedule A.

4. REPRESENTATIONS AND WARRANTIES. The Blue Entities represent and warrant to FTC that:

(a) No financing statement or other filing listing any of the Intellectual Property Collateral as collateral is on file in any jurisdiction, other than any financing statement filed on behalf of FTC, as secured party; provided, however, that financing statement(s) may be or are filed on behalf of holders of Blue Holdings' 8% Senior Secured Convertible Notes, issued on or about March 2008 (the "Second Priority Lien Holders"), who are second priority lien holders to FTC (as set forth in the Consent Agreement by FTC dated or executed on or about March 5, 2008, the Security Agreement between the Blue Entities and the Second Priority Lien Holders dated or executed on or about March 5, 2008, and the Intercreditor Agreement between FTC and the Second Priority Lien Holders dated or executed on or about March 5, 2008);

(b) The Blue Entities have not created and is not aware of any means, any lien, security interest, pledge, hypothecation, encumbrance or other claim (each a "Lien") in, on, with respect to or affecting any of the Intellectual Property Collateral other than the Lien created by this Security Agreement in favor of FTC; provided, however, that a Lien, second in priority to that of FTC, may be or has been created in favor of the Second Priority Lien Holders (as set forth in the Consent Agreement by FTC dated or executed on or about March 5, 2008, the Security Agreement between the Blue Entities and the Second Priority Lien Holders dated or executed on or about March 5, 2008, and the Intercreditor Agreement between FTC and the Second Priority Lien Holders dated or executed on or about March 5, 2008);

(c) The execution, delivery and performance of this Security Agreement have been duly authorized by all required corporate, limited liability company, or other applicable actions of the Blue Entities and all consents, approvals, authorizations, permits and licenses necessary for the Blue Entities to enter and perform its obligations under this Security Agreement have been obtained;

(d) This Security Agreement constitutes a valid, binding and enforceable obligation of the Blue Entities;

(e) The execution, delivery and performance of this Security Agreement do not violate any law or any agreement or undertaking to which the Blue Entities is a party or by which the Blue Entities may be bound and do not result in the imposition of any Lien upon any of the Intellectual Property Collateral other than the Lien in favor of FTC created by this Security Agreement;

(f) The Blue Entities are the legal and beneficial owners of the Intellectual Property, control the Intellectual Property Collateral, and the Blue Entities have continuously used the Trademarks in interstate commerce in connection with the sale of the Blue Entities' products;

(g) there are no claims or demands of any persons or entities claiming any interest in any of the Intellectual Property Collateral, including, without limitation, disputes concerning the ownership or control of or the right to use any of the Intellectual Property Collateral.

5. COVENANTS. The Blue Entities shall: (a) keep the Intellectual Property Collateral free and clear of any Lien of any kind other than the Lien created by this Security Agreement, and the Lien, second in priority to FTC's lien, created or to be created in favor of the Second Priority Lien Holders; (b) promptly pay, when due, all taxes and other charges and fees affecting or arising out of the Intellectual Property Collateral including, without limitation, all fees required to maintain the Blue Entities' registration of any of the Trademarks; (c) police, pursue and enforce the Blue Entities' rights with respect to the Intellectual Property Collateral, defend the Intellectual Property Collateral against all claims, disputes, demands, challenges, actions, causes of action or infringements by any persons or entities and promptly notify FTC in writing of any such claims, disputes, demands, challenges, actions, causes of action or infringements, including, without limitation, any default or other notices which the Blue Entities receive or with respect to which the Blue Entities have knowledge regarding the Blue Entities' ownership of, right to use or continued registration of the Intellectual Property Collateral; (d) give FTC at least 15 days' prior written notice before changing one or more of the Blue Entities' names; (e) not sell, dispose of, transfer or abandon any of the Intellectual Property Collateral without FTC's prior written consent; (f) continuously use the Trademarks in interstate commerce in connection with the sale of the Blue Entities' products, use trademark markings in connection with such use of the Trademarks and file any required affidavits with respect to the Blue Entities' ongoing use of the Trademarks; and (g) permit FTC, by its officers and agents, to have access to, examine and copy records evidencing or relating to any of the Intellectual Property Collateral.

6. EVENTS OF DEFAULT. The occurrence of any of the following events shall constitute an Event of Default under this Security Agreement: (a) the failure of the Blue Entities to pay any of their obligations with respect to the Indebtedness within seven (7) calendar days of the due date thereof; (b) any representation or warranty of the Blue Entities to FTC in this Security Agreement or any other instrument or agreement with or in favor of FTC shall prove to be inaccurate or untrue; (c) the breach by any of the Blue Entities of any covenant in this Security Agreement; (d) FTC shall have determined in good faith that the value of the Intellectual Property Collateral has materially decreased after the date of this Security Agreement; or (e) the occurrence of any default or event of default under any instrument or agreement executed by any of the Blue Entities with or in favor of FTC with respect to which

there is no cure period or which remains uncured at the end of the applicable cure period.

7. REMEDIES OF FTC.

(a) After the occurrence of an Event of Default under this Security Agreement, FTC may, without notice to or demand (other than any notice required by law, the giving of which is not waivable), upon one or more of the Blue Entities (all whom waive any right to notice or demand they may have which may be waived), without releasing the Blue Entities from any obligation under this Security Agreement or any other instruments or agreements with FTC and without waiving any rights FTC may have or impairing any declaration of default or election to cause the Intellectual Property Collateral to be sold or any sale proceeding predicated on the same: (i) in exercise of its rights under this Security Agreement, without payment of compensation of any kind, use any and all of the Blue Entities' Intellectual Property, including, without limitation, trademarks, trade styles, trade names, licenses, franchises and the like to the extent of the Blue Entities' rights therein and the Blue Entities hereby grant a license and the right to grant sublicenses for that purpose; (ii) in such manner and to such extent as FTC may deem necessary to protect the Intellectual Property Collateral or the interests, rights, powers or duties of FTC, collect any and all income, rents, issues, profits and proceeds from the Intellectual Property Collateral, the same being hereby assigned and transferred to FTC, and from time to time apply or accumulate such income, rents, issues, profits and proceeds in such order and manner as FTC, in its sole discretion, shall instruct; (iii) sell all or any part of the Intellectual Property Collateral at public or private sale at such place or places and at such time or times and in such manner and upon such terms, whether for cash or credit, as FTC in its sole discretion may determine; and (iv) exercise all the rights and remedies granted to a secured party under the California Uniform Commercial Code, as amended, and all other rights and remedies given to FTC under this Security Agreement or any other instrument or agreement or otherwise available at law or in equity. FTC shall be under no obligation to make any of the payments, or do any of the acts referred to in this Section 7 or elsewhere in this Security Agreement, and any of the actions referred to in this Section 7 or elsewhere in this Security Agreement may be taken regardless of whether any notice of default or election to sell has been given under this Security Agreement (provided, however, that all notices required by law, the giving of which may not be waived, shall be given in accordance with such law), without regard to the adequacy of the security for the Indebtedness.

(b) The Blue Entities hereby waive notice of the sale of any Intellectual Property Collateral by FTC pursuant to any provision of this Security Agreement or any applicable provisions of the California Uniform Commercial Code, as amended, or other applicable law. In the event that notice of the sale of the Intellectual Property Collateral cannot be waived or FTC gives notice of such sale to the Blue Entities, FTC will give the Blue Entities notice of the time and place of any public sale of the Intellectual Property Collateral or of the time after which any private sale or any other intended disposition thereof is to be made by sending notice, as provided below, at least five days before the time of the sale or disposition, which provisions for notice the Blue Entities and FTC agree are reasonable.

(c) FTC may apply the net proceeds of any sale, lease or other disposition of the Intellectual Property Collateral, after deducting all costs and expenses of every kind incurred thereon, or incidental to the retaking, holding, preparing for sale, selling, leasing, or the like of

the Intellectual Property Collateral, or in any way relating to the rights of FTC thereunder, including attorneys' fees and expenses hereinafter provided for, to the payment, in whole or in part, in such order as FTC may elect, of the Indebtedness, whether due or not due, absolute or contingent, making proper rebate for interest or discount on items not then due, and only after so applying such net proceeds and after the payment by FTC of any other amounts required by any existing or future provision of law (including Section 9-504(1)(c) of the Uniform Commercial Code of any jurisdiction in which any of the Intellectual Property Collateral may at the time be located) need FTC account for the surplus, if any. The Blue Entities shall remain liable to FTC for the payment of any deficiency.

(d) Whether or not an Event of Default shall have occurred, FTC may sell all or any part of the Intellectual Property Collateral, although the Indebtedness may be contingent or unmaturred, whenever in its discretion FTC considers such sale necessary for its protection. The making of any demands by FTC shall not establish a course of conduct nor constitute a waiver of the right of FTC to sell the Intellectual Property Collateral as herein provided or of the right of FTC to accelerate the maturity of the Indebtedness as herein provided.

8. ADDITIONAL RIGHTS OF FTC AND DUTIES OF THE BLUE ENTITIES REGARDING OBLIGATIONS AND COLLATERAL.

(a) The Blue Entities consent that the Indebtedness or any of the Intellectual Property Collateral may, from time to time, in whole or in part, be renewed, extended, modified, accelerated, compromised, settled or released and that any of the Intellectual Property Collateral may, from time to time, in whole or in part, be exchanged, sold, released or surrendered, by FTC, all without any notice to, or further assent by, or any reservation of rights against, the Blue Entities, and all without in any way affecting or releasing the Indebtedness or any security interest hereby created.

(b) FTC shall not be liable for failure to collect or realize upon the Intellectual Property Collateral, or any part thereof, or for any delay in so doing, nor shall FTC be under any obligation to take any action whatsoever with regard thereto. FTC shall have no obligation to comply with any recording, re-recording, filing, re-filing or other legal requirements necessary to establish or maintain the validity, priority or enforceability of, or FTC's rights in and to the Intellectual Property Collateral or any part thereof. FTC may exercise any right of the Blue Entities with respect to any of the Intellectual Property Collateral. FTC shall have no duty to exercise any of the aforesaid rights, privileges or options with respect to any of the Intellectual Property Collateral and shall not be responsible for any failure to do so or delay in so doing.

(c) In any statutory or non-statutory proceeding affecting the Blue Entities or any of the Intellectual Property Collateral, FTC or its nominee may, whether or not an Event of Default shall have occurred and regardless of the amount of the Indebtedness, file a proof of claim for the full amount of any of the Intellectual Property Collateral and vote such claim for the full amount thereof (i) for or against any proposal or resolution; (ii) for a trustee or trustees or for a committee of creditors; and/or (iii) for the acceptance or rejection of any proposed arrangement, plan of reorganization, wage earners' plan, composition or extension; and FTC or

its nominee may receive any payment or distribution and give acquittance therefor and may exchange or release any of the Intellectual Property Collateral.

(d) Whether or not an Event of Default shall have occurred, FTC may, without notice to or demand upon the Blue Entities, (i) commence, appear in or defend any action or proceeding purporting to affect all or any part of the Intellectual Property Collateral or the interests, rights, powers or duties of FTC, whether brought by or against the Blue Entities or FTC; and/or (ii) pay, purchase, contest or compromise any claim, debt, lien, charge or encumbrance which in the judgment of FTC may affect or appear to affect the Intellectual Property Collateral or the interests, rights, powers or duties of FTC.

9. COLLECTION RIGHTS OF FTC. If any of the Intellectual Property Collateral consists of Accounts, rights or claims of the Blue Entities to any payment, then at FTC's request, the Blue Entities shall promptly notify (in manner, form and substance satisfactory to FTC) all persons or entities obligated to the Blue Entities (under any rights or claims of the Blue Entities to any payment as to which FTC possesses a security interest) that all payments in respect of such rights or claims are to be made directly to FTC. The Blue Entities shall not settle, compromise or adjust any disputed amount, or allow any credit, rebate or discount with respect to any right or claim of the Blue Entities to any payment which constitutes the Intellectual Property Collateral. After FTC shall have given any notice of the type specified in the first sentence of this Section 9, any and all amounts received by the Blue Entities from the account debtor or other obligor or issuer so notified shall be promptly remitted to FTC, and until so remitted shall be segregated by the Blue Entities and held in trust for FTC.

10. ADDITIONAL SECURITY. If FTC shall at any time hold security for the Indebtedness in addition to the Intellectual Property Collateral, FTC may enforce the terms of this Security Agreement or otherwise realize upon the Intellectual Property Collateral, at its option, either before or concurrently with the exercise of remedies as to such other security. After a sale, if any, is made of such other security, it may apply the proceeds upon the Indebtedness without affecting the status of or waiving any right to exhaust all or any other security, including the Intellectual Property Collateral, and without waiving any breach or default or any right or power whether exercised under this Security Agreement, contained in this Security Agreement, or provided for in respect of any such other security.

11. PRESERVATION AND PROTECTION OF SECURITY INTEREST AND OTHER RIGHTS AND INTERESTS; POWER OF ATTORNEY. The Blue Entities will faithfully preserve and protect the Lien in the Intellectual Property Collateral in favor of FTC created by this Security Agreement; will, at the Blue Entities' own cost and expense, cause such Lien to be perfected and continue to be perfected and to be and remain prior to all other Liens; and, for such purpose, will from time to time at the request of FTC file or record, or cause to be filed or recorded, such instruments, documents and notices, including financing statements and continuation statements, as FTC may reasonably deem necessary or advisable from time to time in order to perfect and continue to perfect such Lien and to maintain the priority of such Lien over all other Liens. The Blue Entities will do all such other acts and things and will execute and deliver such instruments and documents, including, without limitation, security agreements, pledges, endorsements, assignments, and notices, as FTC may reasonably deem necessary or

advisable from time to time in order to perfect and preserve the priority of the Lien in the Intellectual Property Collateral in favor of FTC as contemplated by this Security Agreement and to implement and enforce FTC's rights and interests with respect to the Intellectual Property Collateral. FTC, acting through its officers, employees and authorized agents, is hereby irrevocably appointed by the Blue Entities as the attorney-in-fact of the Blue Entities to do, at their expense, all acts and things which they are required to do by the terms of this Security Agreement, or which FTC may reasonably deem necessary or advisable to preserve, perfect, continue to perfect and/or maintain the priority of such Liens in the Intellectual Property Collateral (including the signing of financing, continuation or other similar statements and notices on behalf of the Blue Entities), and to enforce, transfer, assign and defend the Intellectual Property Collateral in the exercise of FTC's rights under this Security Agreement (including, but not limited to, the filing of an Assignment of the Trademarks in the U.S. Trademark Office after the occurrence of an Event of Default under this Security Agreement. The Blue Entities hereby authorize FTC to sign and file financing statements with respect to the Intellectual Property Collateral without the signature of the Blue Entities and the Blue Entities shall pay all filing fees for financing statements with respect to the Intellectual Property Collateral.

12. EFFECT ON FTC AGREEMENTS; CUMULATIVE REMEDIES. The provisions of this Security Agreement are not intended to limit or restrict in any way the rights and remedies of FTC under the FTC Agreements but rather are intended to supplement the exercise of such rights and remedies. All of the rights and remedies of FTC with respect to the Intellectual Property Collateral, whether established hereby, by any other agreements, or by law, shall be cumulative and may be exercised singularly or concurrently.

13. BINDING EFFECT; BENEFITS. This Security Agreement shall be binding upon the Blue Entities and their respective successors and assigns, and shall inure to the benefit of FTC and its successors and assigns.

14. MISCELLANEOUS. This Security Agreement shall be binding upon the Blue Entities. FTC may assign all or a portion of its rights under this Security Agreement and may deliver the Intellectual Property Collateral, or any part thereof, to any assignee and such assignee shall thereupon become vested with all the powers and rights given to FTC in respect thereof; and FTC shall thereafter be forever relieved and discharged from any liability or responsibility in the matter but, with respect to any of the Intellectual Property Collateral not so delivered or assigned, FTC shall retain all powers and rights given to FTC hereby. The execution and delivery hereafter to FTC by the Blue Entities of a new security agreement shall not terminate, supersede or cancel this Security Agreement, unless expressly provided therein. This Security Agreement may not be changed or terminated orally, but only by a writing executed by the Blue Entities and FTC. No delay on the part of FTC in exercising any of FTC's options, powers or rights, or partial or single exercise thereof, shall constitute a waiver thereof. No waiver of this Security Agreement or any provision hereof or of any other agreement or instrument made or issued in connection herewith or contemplated hereby, nor consent to any departure by the Blue Entities therefrom, shall in any event be effective, irrespective of any course of dealing between the parties, unless the same shall be in a writing executed by a duly authorized officer of FTC, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given. No notice to or demand on the Blue

Entities in any case shall thereby entitle them to any other or further notice or demand in the same, similar or other circumstances. The remedies herein provided are cumulative and not exclusive of any other remedies provided at equity or by law and all such remedies may be exercised singly or concurrently. The descriptive headings used in this Security Agreement are for convenience only and shall not be deemed to affect the meaning or construction of any provision hereof.

15. APPLICABLE LAW; SEVERABILITY. THIS SECURITY AGREEMENT SHALL BE GOVERNED BY AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH ALL OF THE PROVISIONS OF THE CALIFORNIA UNIFORM COMMERCIAL CODE AND BY THE OTHER INTERNAL LAWS OF THE STATE OF CALIFORNIA, WITHOUT REGARD TO CONFLICTS OF LAW PRINCIPLES, EXCEPT FOR THE PERFECTION AND ENDORSEMENT OF SECURITY INTERESTS AND LIENS IN OTHER JURISDICTIONS, WHICH SHALL BE GOVERNED BY THE LAWS OF THOSE JURISDICTIONS, OR, AS APPLICABLE, BY THE LAWS OF THE UNITED STATES OF AMERICA. WHENEVER POSSIBLE, EACH PROVISION OF THIS SECURITY AGREEMENT SHALL BE INTERPRETED IN SUCH A MANNER AS TO BE EFFECTIVE AND VALID UNDER APPLICABLE LAW, BUT IF ANY PROVISION OF THIS SECURITY AGREEMENT SHALL BE PROHIBITED BY OR INVALID UNDER APPLICABLE LAW, SUCH PROVISION SHALL BE INEFFECTIVE ONLY TO THE EXTENT OF SUCH PROHIBITION OR INVALIDITY, WITHOUT INVALIDATING THE REMAINDER OF SUCH PROVISIONS OR THE REMAINING PROVISIONS OF THIS SECURITY AGREEMENT.

16. CONSENT TO JURISDICTION. THE BLUE ENTITIES HEREBY CONSENT TO THE JURISDICTION OF ANY STATE OR FEDERAL COURT LOCATED WITHIN THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AND IRREVOCABLY AGREES THAT, SUBJECT TO FTC'S ELECTION, ALL ACTIONS OR PROCEEDINGS ARISING OUT OF OR RELATING TO THIS SECURITY AGREEMENT SHALL BE LITIGATED IN SUCH COURTS. THE BLUE ENTITIES EXPRESSLY SUBMIT AND CONSENT TO THE JURISDICTION OF THE AFORESAID COURTS AND WAIVES ANY DEFENSE OF FORUM NON CONVENIENS.

17. JURY TRIAL WAIVER. THE PARTIES HERETO HEREBY IRREVOCABLY WAIVE ALL RIGHT TO TRIAL BY JURY OF ANY ACTION OR PROCEEDING ASSERTING ANY CAUSE OF ACTION, CLAIM, MOTION, THIRD PARTY CLAIM OR COUNTERCLAIM (COLLECTIVELY, "ACTIONS") ARISING OUT OF OR RELATING TO THIS SECURITY AGREEMENT. THE PARTIES HEREBY WARRANT AND REPRESENT THAT THEY HAVE EACH HAD THE OPPORTUNITY OF REVIEWING THIS JURY WAIVER WITH LEGAL COUNSEL, AND THAT EACH KNOWINGLY AND VOLUNTARILY WAIVES ITS JURY TRIAL RIGHTS. THE PARTIES HERETO DESIRE THAT THEIR DISPUTES BE RESOLVED BY A JUDGE APPLYING APPLICABLE STATE AND FEDERAL LAWS. TO ACHIEVE THE BEST COMBINATION OF THE BENEFITS OF THE JUDICIAL SYSTEM AND OF ARBITRATION, THE PARTIES HERETO AGREE THAT A JUDICIAL REFEREE WILL BE APPOINTED UNDER CALIFORNIA CODE OF CIVIL

PROCEDURE SECTION 638 TO DETERMINE ANY FACTUAL ISSUES IN ANY ACTION, SUIT, OR PROCEEDING BROUGHT TO RESOLVE ANY DISPUTE, WHETHER ARISING IN CONTRACT, TORT, OR OTHERWISE BETWEEN THE PARTIES HERETO ARISING OUT OF, CONNECTED WITH, RELATED OR INCIDENTAL TO THIS SECURITY AGREEMENT, THE RELATIONSHIP ESTABLISHED BETWEEN THEM IN CONNECTION HERewith OR THE TRANSACTIONS RELATED THERETO. THE PARTIES HERETO SHALL SELECT A SINGLE NEUTRAL REFEREE, WHO SHALL BE A RETIRED STATE OR FEDERAL JUDGE WITH AT LEAST FIVE YEARS OF JUDICIAL EXPERIENCE IN CIVIL MATTERS. IN THE EVENT THAT THE PARTIES HERETO CANNOT AGREE UPON A REFEREE, THE REFEREE SHALL BE APPOINTED BY THE COURT. THE PARTIES HERETO SHALL EQUALLY BEAR THE FEES AND EXPENSES OF THE REFEREE UNLESS THE REFEREE OTHERWISE PROVIDES IN THE STATEMENT OF DECISION.

IN WITNESS WHEREOF, the parties hereto have duly executed this Security Agreement as of the date first above written.

BLUE HOLDINGS, INC.

By: 

Name: Glenn S. Palmer
Title: CEO

ANTI-K DENIM, LLC

By: 

Name: Glenn S. Palmer
Title: CEO

TAVERNITI SO JEANS, LLC

By: 

Name: Glenn S. Palmer
Title: CEO

ACCEPTED AND ACKNOWLEDGED BY:


ETC COMMERCIAL CORP.

By: _____

Kenneth L. Wengrod
President

SCHEDULE A

**SCHEDULE A TO INTELLECTUAL PROPERTY SECURITY AGREEMENT
DATED MARCH 6, 2008, BETWEEN BLUE ENTITIES AND FTC**

OWNED INTELLECTUAL PROPERTY

TRADEMARK	COUNTRY	FILING DATE	APPLICATION/SERIAL NO.	STATUS	REG. NO.
Antik Denim	United States	9/8/2004	78480230	Registered	3372838
Antik Denim	Japan	10/10/2004	2004-095015	Registered	1242022
Antik Denim	South Korea	4/15/2005	40-2005-16636	Pending	
Antik Denim	European Community	11/17/2004	4068383	Registered	223068
Antik Denim	Mexico	10/7/2005	0160169	Pending	
Antik Denim	Brazil	6/24/2005	827540990	Registered	waiting for certificate
Antik Denim	South Africa	6/23/2005	2005112500	Pending	
Antik Denim	Canada	2/3/2005	1,245,863	Pending	
Antik Denim	Israel	9/27/2005	183971	Registered	183971
Antik Denim	Hong Kong	8/1/2005	300468351	Pending	
Antik Denim	India	10/21/2005	1393566	Pending	
Antik Denim	New Zealand	5/19/2005	729895	Registered	729895
Antik Denim	China	9/5/2005	4875100	Pending	
Antik Denim	Australia	5/19/2005	1076772	Registered	waiting for certificate
Antik Denim	Tunisia	4/27/2006	61032	Pending	
Antik Denim	Thailand	7/7/2006	615250	Pending	
Antik Denim	Taiwan	12/23/2005	94062021	Registered	1234612
Antik Denim	Russia	9/8/2006	2006725861	pending	
Antik Denim	Paraguay	10/3/2006	29262	pending	
Antik Denim	Morocco	12/31/2006	106916	Pending	
Antik Denim	US Class 14 & 18	1/9/2006	78787735	Pending	
Antik Denim	Intl Madrid* 14 & 18	1/27/2006	902516	Registered	902516
Antik Denim	Vietnam	1/10/2006	4-2006-00453	Registered	85839
Antik Denim	UAE	Doc sent			
Antik Denim Pocket Design	United States	4/7/2005	78604341	Registered	3191284
Antik Denim Pocket Design	International Madrid*	9/28/2005	875905	Registered	875905
Antik Denim Pocket Design	South Korea	9/27/2005	40-2005-45016	Registered	695428
Antik Denim Pocket Design	Canada	11/10/2005	1278966	Registered	1034973

*Countries selected under the Madrid protocol: Australia, Bulgaria, China, Croatia, EU, Georgia, Japan, Monaco, Morocco, Netherlands Antilles, Norway, Republic of Korea, Romania, Russian Federation, Serbia & Montenegro, Singapore, The Former Yugoslav Republic

PATENT	COUNTRY	FILING DATE	APPLICATION/SERIAL NO.	STATUS	REG. NO.
Antik Denim Pocket Design	United States	6/12/2007		Registered	US D544,179 S
Antik Denim Pocket Design	Europe	10/19/2004	332416	Registered	332416-0004
Antik Denim Pocket Design	South Korea	4/8/2005	302005-0011583	Registered	30-0412453
Antik Denim Pocket Design	Japan	10/19/2004	2006-012686	Registered	1301903
Antik Denim Pocket Design	China	10/19/2004	2005-300081814	Registered	ZI 200530148859.9

**SCHEDULE A TO INTELLECTUAL PROPERTY SECURITY AGREEMENT
DATED MARCH 6, 2008, BETWEEN BLUE ENTITIES AND FTC**

COPYRIGHT	COUNTRY	FILING DATE	APPLICATION/SERIAL NO.	STATUS	REG. NO.
Antik Denim Pocket Design	United States	8/17/2005	VAU-664-118	Registered	VAU-664-118
Antik Denim Eagle Design Logo	United States	1/27/2006	VA1-353-106	Registered	VA1-353-106

LICENSED INTELLECTUAL PROPERTY

TRADEMARK	COUNTRY	FILING DATE	APPLICATION/SERIAL NO.	STATUS	REG. NO.
Taverniti so Jeans	United States	6/25/2004	78441487	Pending	
	Japan	6/16/2005	200554487	Registered	waiting for certificate
	South Korea	8/17/2005	20050038342	Registered	666478
	European Community	11/16/2005	503376552	Registered	241115
	International Madrid (1)	8/19/2005	0862941	Pending	0862941
	Mexico	10/7/2005	0160167	Pending	
	Brazil	6/24/2005	23050260081	Registered	
	South Africa	6/23/2005	2005112502	Pending	
	Canada	2/3/2005	1245920	Pending	
	Israel	9/27/2005	183970	Registered	183970
	Hong Kong	8/1/2005	300468379	Registered	300468379
	India	10/20/2005	1393378	Pending	
	New Zealand	7/29/2005	733345	Registered	733345
	Tunisia	4/27/2006	61032	Pending	
	Thailand	7/7/2006	615249	Registered	253655
	Taiwan	12/23/2005	94062021	Pending	
	China	8/19/2005	94062020	Registered	941223
	Russia	8/19/2005	0862941	pending	
	Australia	8/19/2005	0862941	Registered	1081300
	turkey	8/19/2005	0862941	Registered	1081300
	Chile	5/24/2007	731628	Pending	
Vietnam	10/1/2006	4-2006-00454	Pending		
UEA	Doc sent				
Yanuk	United States		78222961	Registered	2867990
	Japan		2003-85502	Registered	4070
	International Madrid (2)		0841980	Registered	0841980
	Mexico		0160172	Pending	
	Brazil		827540981	Pending	
	South Africa		2005112503	Pending	
	Canada		1,225,378	Registered	687,740
	Israel		183969	Registered	183969
	Hong Kong		300468360	Registered	waiting for certificate
	India		1393379	Pending	
	New Zealand		717995	Pending	
Vietnam		4-2006-00455	Registered	85840	

**SCHEDULE A TO INTELLECTUAL PROPERTY SECURITY AGREEMENT
DATED MARCH 6, 2008, BETWEEN BLUE ENTITIES AND FTC**

TRADEMARK	COUNTRY	FILING DATE	APPLICATION/ SERIAL NO.	STATUS	REG. NO.
	Tunisia		EE061033	Pending	
	Taiwan		94062022	Registered	1228884
	Paraguay		31908	Pending	
	China yanuk logo		5697061	Pending	
	Argentina		2.636.665	Pending	
U	United States	May 26, 2004	78425787	Registered	3022089

(1) Countries selected under the Madrid protocol: Australia, Bulgaria, China, Croatia, Georgia, Monaco, Morocco, Netherlands Antilles, Norway, Romania, Russian Federation, Serbia and Montenegro, Singapore, Turkey, Ukraine and the Former Yugoslav Republic of Macedonia.

(2) Countries selected under the Madrid protocol: Antigua, Armenia, Netherlands Antilles, Austria, Australia, Benelux, Belarus, Switzerland, china, Cuba, Cyprus, Czech republic, Germany, Denmark, Spain, Finland, France, United Kingdom, Georgia, Greece, Croatia, Hungary, Ireland, Iceland, Italy, Republic of Korea, Liechtenstein, Lithuania, Monaco, Republic of Moldova, the former Yugoslav republic of Macedonia, Mongolia, Norway, Poland, Portugal, Romania, Russian Federation, Sweden, Singapore, Slovenia, Slovakia, Turkmenistan, Turkey, Ukraine, Serbia Montenegro.

**SCHEDULE A (REVISED) TO INTELLECTUAL PROPERTY SECURITY AGREEMENT
DATED MARCH 6, 2008, BETWEEN BLUE ENTITIES AND FTC**

OWNED INTELLECTUAL PROPERTY

TRADEMARK	COUNTRY	FILING DATE	APPLICATION/SERIAL NO.	STATUS	REG. NO.
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**SCHEDULE A (REVISED) TO INTELLECTUAL PROPERTY SECURITY AGREEMENT
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COPYRIGHT	COUNTRY	FILING DATE	APPLICATION/ SERIAL NO.	STATUS	REG. NO.
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	Taiwan	12/23/2005	94062021	Pending	
	China	8/19/2005	94062020	Registered	941223
	Russia	8/19/2005	0862941	pending	
	Australia	8/19/2005	0862941	Registered	1081300
	turkey	8/19/2005	0862941	Registered	1081300
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	Argentina		2.636.665	Pending	
U	United States	May 26, 2004	78425787	Registered	3022089
	Canada		1.226.377	Registered	TMAA683,101
	Europe		3896479	Registered	3896479
	Madrid (3)		882315	Registered	882315
	Panama		4950	Registered	153018 01
	South Africa		2005112615	Pending	

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(2) Countries selected under the Madrid protocol: Antigua, Armenia, Netherlands Antilles, Austria, Australia, Benelux, Belarus, Switzerland, china, Cuba, Cyprus, Czech republic, Germany, Denmark, Spain, Finland, France, United Kingdom, Georgia, Greece, Croatia, Hungary, Ireland, Iceland, Italy, Republic of Korea, Liechtenstein, Lithuania, Monaco, Republic of Moldova, the former Yugoslav republic of Macedonia, Mongolia, Norway, Poland, Portugal, Romania, Russian Federation, Sweden, Singapore, Slovenia, Slovakia, Turkmenistan, Turkey, Ukraine, Serbia Montenegro.

(3) Countries selected under Madrid protocol: Armenia, Australia, Georgia, Japan, Norway, Singapore, South Korea.