Endeavor Acquisition Corp.
Form PREM14A
June 11, 2007
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a)

of the Securities Exchange Act of 1934

Filed by the Registrant x

Filed by a Party other than the Registrant ¨

Check the appropriate box:

x Preliminary Proxy Statement
¨ Definitive Proxy Statement
¨ Definitive Additional Materials
¨ Soliciting Material Pursuant to §240.14a-12

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

ENDEAVOR ACQUISITION CORP.

(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

¨ No fee required.

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

(1) Title of each class of securities to which transaction applies:
Common Stock of Endeavor Acquisition Corp.

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

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

Average of the bid and ask price for common stock as of June 5, 2007: ($11.60)

(4) Proposed maximum aggregate value of transaction:

$374,193,554

(5) Total fee paid:

$13,845

¨ Fee paid previously with preliminary materials.

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

(1) Amount previously paid:

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

(3) Filing Party:

(4) Date Filed:

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This proxy statement is dated , 2007 and is first being mailed to Endeavor stockholders on or about , 2007.

Endeavor Acquisition Corp.

7 Times Square, 17th Floor

New York, New York 10036

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS

TO BE HELD ON , 2007

TO THE STOCKHOLDERS OF ENDEAVOR ACQUISITION CORP.:

NOTICE IS HEREBY GIVEN that a special meeting of the stockholders of Endeavor Acquisition Corp. (Endeavor), a Delaware corporation, will be held at 10:00 a.m., eastern time, on , 2007, at the offices of Graubard Miller, Endeavor s counsel, at The Chrysler Building, 405 Lexington Avenue, 19th Floor, New York, New York 10174. You are cordially invited to attend the meeting, which will be held for the following purposes:

(1) to consider and vote upon the adoption and approval of the Agreement and Plan of Reorganization (Acquisition Agreement), dated as of December 18, 2006, among Endeavor, American Apparel Acquisition, Inc., a California corporation and wholly owned subsidiary of Endeavor (Merger Sub), American Apparel, Inc., a California corporation (AAI), American Apparel, LLC, a California limited liability company (LLC), each of the Canadian Companies set forth on Schedule A of the Acquisition Agreement (collectively the CI companies and collectively with AAI and LLC, American Apparel), Dov Charney, a principal stockholder and member of AAI and LLC, respectively (Mr. Charney), Sang Ho Lim, the other principal stockholder and member of AAI and LLC, respectively (Mr. Lim), and the stockholders of each of the CI companies, and the transactions contemplated thereby. We refer to this proposal as the acquisition proposal. The board of directors and stockholders of each of AAI and each of the CI companies and the members of LLC have already approved and adopted the Acquisition Agreement;

(2) to consider and vote upon an amendment to the certificate of incorporation of Endeavor to change the name of Endeavor from Endeavor Acquisition Corp. to American Apparel, Inc. We refer to this proposal as the name change amendment proposal ;

(3) to consider and vote upon an amendment to the certificate of incorporation of Endeavor to increase the number of authorized shares of Endeavor common stock from 75,000,000 to 120,000,000. We refer to this proposal as the capitalization amendment proposal ;

(4) to consider and vote upon an amendment to the certificate of incorporation of Endeavor to remove the preamble and sections A through D, inclusive, of Article Sixth from the certificate of incorporation from and after the closing of the acquisition, as these provisions will no longer be applicable to Endeavor, and to redesignate section E of Article Sixth as modified as Article Sixth of Endeavor s restated and amended certificate of incorporation. We refer to this proposal as the Article Sixth amendment proposal ;

(5) to consider and vote upon the 2007 performance equity plan (an equity-based performance equity plan). We refer to this proposal as the performance equity plan proposal ; and

(6) to consider and vote upon a proposal to adjourn the special meeting to a later date or dates, if necessary, to permit further solicitation of proxies if, based upon the tabulated vote at the time of the special meeting, Endeavor is not authorized to consummate the acquisition we refer to this proposal as the adjournment proposal.

These items of business are described in the attached proxy statement, which we encourage you to read in its entirety before voting. Only holders of record of Endeavor s common stock at the close of business on , 2007 are entitled to notice of the special meeting and to vote and have their votes counted at the special meeting and any adjournments or postponements of the special meeting. Endeavor will not transact any other business at the special meeting or any adjournment or postponement of the meeting.

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The acquisition proposal must be approved by the holders of a majority of the Endeavor common stock sold in Endeavor s initial public offering (IPO) that is present in person or represented by proxy and entitled to vote at the special meeting. Each of the name change amendment, capitalization amendment and Article Sixth amendment proposals must be approved by the holders of a majority of the outstanding shares of Endeavor common stock. The performance equity plan proposal must be approved by the holders of a majority of the shares of Endeavor common stock that is present in person or represented by proxy and entitled to vote at the meeting.

The adoption of the acquisition proposal is conditioned on the adoption of the name change amendment and the capitalization amendment, and neither the name change amendment nor the capitalization amendment will be presented to the meeting for adoption unless the acquisition proposal is approved. The adoption of the Article Sixth amendment and the performance equity plan proposals are not conditions to the adoption of the acquisition proposal or to the adoption of either of the name change amendment or the capitalization amendment proposals, but if the acquisition proposal is not approved, neither the Article Sixth amendment proposal nor the performance equity proposal will be presented at the meeting for adoption. The adjournment proposal will not be considered at the meeting unless, based on the tabulated vote at the time of the special meeting, Endeavor is not authorized to consummate the acquisition.

Your broker, bank or nominee cannot vote your shares on any proposal unless you provide instructions on how to vote in accordance with the information and procedures provided to you by your broker, bank or nominee. Abstentions will have the same effect as a vote AGAINST the acquisition proposal and the name change amendment, capitalization amendment, Article Sixth amendment, the performance equity plan and adjournment proposals. Broker non-votes, while considered present for the purposes of establishing a quorum, will have the same effect as a vote AGAINST the name change amendment, capitalization amendment, Article Sixth amendment and adjournment proposals, but will have no effect on the acquisition proposal or the performance equity plan proposals. However, since the adoption of the acquisition proposal is conditioned on the adoption of the name change amendment and capitalization amendment proposals, any broker non-vote with respect to the name change amendment or capitalization amendment proposals will essentially have the same effect as a vote AGAINST the acquisition proposal.

Each Endeavor stockholder that holds shares of common stock issued in Endeavor s IPO has the right to vote against the acquisition proposal and demand that Endeavor convert such stockholder s shares into cash equal to a pro rata portion of the funds held in the trust account into which a substantial portion of the net proceeds of Endeavor s IPO was deposited. The exact conversion price will be determined as of a date which is two business days prior to the anticipated date of the consummation of the acquisition. On , 2007, the record date for the meeting of stockholders, the conversion price would have been approximately $ in cash for each share of Endeavor common stock. These shares will be converted into cash only if the acquisition is consummated. If, however, the holders of 20% (approximately 3,232,149 shares) or more shares of common stock issued in Endeavor s IPO both vote against the acquisition proposal and demand conversion of their shares, Endeavor will not consummate the acquisition. Prior to exercising conversion rights, Endeavor stockholders should verify the market price of Endeavor s common stock as they may receive higher proceeds from the sale of their common stock in the public market than from exercising their conversion rights. Shares of Endeavor s common stock are quoted on the American Stock Exchange under the symbol EDA. On , 2007, the record date, the last sale price of Endeavor s common stock was $.

Endeavor s initial stockholders who purchased their shares of common stock prior to Endeavor s IPO, and which include all of Endeavor s current directors and executive officers and their affiliates and are referred to collectively in this proxy statement as the Endeavor Inside Stockholders, currently own an aggregate of approximately 18.8% of the outstanding shares of Endeavor common stock. Each of the Endeavor Inside Stockholders has agreed to vote all of the shares they purchased prior to the IPO on the acquisition proposal in accordance with the vote of the majority of the votes cast by the holders of shares issued in the IPO. The Endeavor Inside Stockholders have also indicated that they intend to vote such shares FOR the adoption of the name change amendment, the capitalization amendment, the Article Sixth amendment and the performance equity plan proposals, as well as the adjournment proposal if considered at the special meeting. These Endeavor insiders also have indicated they intend to vote any shares they acquire after the IPO for all of the proposals. As of the record date, these Endeavor insiders have not acquired any additional shares of Endeavor common stock since the IPO.

After careful consideration, Endeavor s board of directors has determined that the acquisition proposal and the other proposals are advisable and in the best interests of Endeavor s stockholders.

Endeavor s board of directors unanimously recommends that you vote or give instruction to vote FOR the adoption of the acquisition proposal, the name change amendment proposal, the capitalization amendment proposal, the Article Sixth amendment proposal and the performance equity plan proposal and, if considered at the special meeting, the adjournment proposal.

All Endeavor stockholders are cordially invited to attend the special meeting in person. However, to ensure your representation at the meeting, you are urged to complete, sign, date and return the enclosed proxy card as soon as possible. If you are a stockholder of record of Endeavor common stock, you may also cast your vote in person at the special meeting. If your shares are held in an account at a brokerage firm or bank, you must instruct your broker or bank on how to vote your shares. If you do not vote or do not instruct your broker or bank how to vote, it will have the same effect as voting against the name change amendment, the capitalization amendment and the Article Sixth amendment proposals.

A complete list of Endeavor stockholders of record entitled to vote at the special meeting will be available for ten days before the special meeting at the principal executive offices of Endeavor for inspection by stockholders during ordinary business hours for any purpose germane to the special meeting.

Your vote is important regardless of the number of shares you own. Whether you plan to attend the special meeting or not, please sign, date and return the enclosed proxy card as soon as possible in the envelope provided.

Thank you for your participation. We look forward to your continued support.

, 2007

By Order of the Board of Directors

Sincerely,

Eric J. Watson
Chairman and Treasurer

Neither the Securities and Exchange Commission nor any state securities commission has determined if this proxy statement is truthful or complete. Any representation to the contrary is a criminal offense.

SEE RISK FACTORS FOR A DISCUSSION OF VARIOUS FACTORS THAT YOU SHOULD CONSIDER IN CONNECTION WITH THE ACQUISITION.

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SUMMARY OF THE PROXY STATEMENT

Parties

The parties to the acquisition are:

- Endeavor Acquisition Corp. (Endeavor),
- AAI Acquisition Corp. (Merger Sub), a wholly owned subsidiary of Endeavor that was formed solely for the purpose of effecting the acquisition as described herein,
- American Apparel, Inc. (AAI),
- American Apparel, LLC (inactive) (LLC),
- Dov Charney, an owner of 50% of the outstanding capital stock of AAI and 50% of the outstanding membership interests of LLC (Mr. Charney),
- Sang Ho Lim, the owner of the remaining 50% of the outstanding capital stock of AAI and the remaining 50% of the outstanding membership interests of LLC (Mr. Lim),
- All of the corporations comprising the American Apparel Canada Group listed on Schedule A of the Acquisition Agreement (collectively the CI companies and, collectively with AAI and LLC, American Apparel or the American Apparel companies), and
- All of the stockholders of the CI companies.

American Apparel is a vertically-integrated manufacturer, distributor, and retailer of branded fashion basic apparel. As of April 30, 2007, American Apparel operated 153 retail stores in 12 countries, including the United States, Canada, Mexico, England, Germany, France, Italy, Switzerland, the Netherlands, Israel, Japan and South Korea. American Apparel also operates a leading wholesale business that supplies t-shirts and other casual wear to distributors and screen printers. In addition to its retail stores and wholesale operations, American Apparel operates an online retail e-commerce website at *www.americanapparelstore.com*. See the section entitled *Business of American Apparel.*

Acquisition Structure

Under the terms of the Acquisition Agreement:

- immediately prior to the acquisition, Mr. Charney will purchase all of the outstanding capital stock and membership interests of the American Apparel companies owned by Mr. Lim (Lim Buyout);
- immediately prior to the acquisition, all of the membership interests of LLC will be transferred to AAI;

- AAI will be merged with and into Merger Sub, with Merger Sub surviving the merger as a wholly owned subsidiary of Endeavor; and

- all of the outstanding capital stock of each of the CI companies will be acquired by Endeavor, with all of the CI companies surviving the transaction as wholly owned subsidiaries of Endeavor.

The stockholders owning all of the outstanding voting stock or membership interests of each of the American Apparel companies have approved and adopted the Acquisition Agreement in accordance with the applicable corporate or company laws of each such company s jurisdiction of formation.

See the section entitled *The Acquisition Proposal*.

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Acquisition Consideration

In return for all of the capital stock in each of the American Apparel companies, Mr. Charney will receive from Endeavor up to an aggregate of 32,258,065 shares of Endeavor common stock, subject to adjustment, including in circumstances where American Apparel s net debt at the close of business on the date two business days prior to the closing of the acquisition is more than $110,000,000 and/or if Mr. Charney fails to consummate the Lim Buyout. Following the consummation of the acquisition, Endeavor will pay an aggregate of $2.5 million of cash bonuses to existing American Apparel employees. See the section entitled *The Acquisition Agreement Acquisition Consideration.*

Lim Buyout

Mr. Charney shall purchase all of Mr. Lim s equity interests in the American Apparel companies at or prior to consummation of the acquisition. The purchase price shall be $60 million plus an additional cash price determined by the date on which the Lim Buyout is completed. In the event that the Lim Buyout is not consummated by Mr. Charney prior to closing of the acquisition for any reason, Endeavor shall affect the Lim Buyout as part of the acquisition by reducing the number of shares of Endeavor common stock to be issued to Mr. Charney and paying Mr. Lim cash for all of his equity interests in the American Apparel companies. If the acquisition were to be consummated on July 30, 2007, and Endeavor was required to affect the Lim Buyout on the same date, the number of shares issued to Mr. Charney, as reduced, would be 24,134,335 and Endeavor would pay Mr. Lim $62,958,904. See the section entitled *The Acquisition Agreement Acquisition Consideration Lim Buyout.*

Post-Closing Ownership of Endeavor common stock

As a result of the acquisition, and assuming that there is no adjustment to the number of shares issued based on American Apparel s net debt and that:

- no Endeavor stockholder demands that Endeavor convert its shares to cash as permitted by Endeavor s certificate of incorporation, and that the Lim Buyout is consummated by Mr. Charney, Mr. Charney will own approximately 61.8% of the outstanding Endeavor common stock and the current stockholders of Endeavor will own approximately 38.2% of the outstanding Endeavor common stock immediately after the closing of the acquisition;

- assuming 19.99% of the common stock issued in Endeavor s initial public offering votes against the acquisition and such stock is converted into cash, and the Lim Buyout is consummated by Mr. Charney, Mr. Charney will own approximately 65.9% of the outstanding Endeavor common stock and the current stockholders of Endeavor will own approximately 34.1% of the outstanding common stock of Endeavor immediately following the closing;

- assuming none of the Endeavor common stock is converted into cash and Endeavor consummates the Lim Buyout instead of Mr. Charney (at an assumed price of $62,958,904 as of July 30, 2007), Mr. Charney will own approximately 54.8% of the outstanding Endeavor common stock and the current stockholders of Endeavor will own approximately 45.2% of the outstanding common stock of Endeavor immediately following the closing.

- assuming 19.99% of the outstanding Endeavor common stock votes against the acquisition and such stock is converted into cash, and Endeavor consummates the Lim Buyout instead of Mr. Charney (at an assumed price of $62,958,904 as of July 30, 2007), Mr. Charney will own approximately 59.1% of the outstanding Endeavor common stock and the current stockholders of Endeavor will own approximately 40.9% of the outstanding common stock of Endeavor immediately following the closing.

Escrow Agreement

At the closing of the acquisition, 8,064,516 of the Endeavor shares to be issued to Mr. Charney will be placed in escrow until the later of (a) the first anniversary of the closing of the acquisition and (b) the thirtieth day after the date that Endeavor files its Annual Report on Form 10-K for the year ended December 31, 2007, as

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a fund for the payment of indemnification claims that may be made by Endeavor as a result of any breaches of American Apparel s covenants, representations and warranties in the Acquisition Agreement and certain lawsuits to which American Apparel is a party. See the section entitled *The Acquisition Agreement Escrow Agreement*.

Other Proposals

In addition to voting on the acquisition, the stockholders of Endeavor will vote on proposals to change its name to American Apparel, Inc., to increase the number of shares of common stock it is authorized to issue from 75,000,000 to 120,000,000, to amend its charter to delete certain provisions that will no longer be operative after the acquisition and to approve the performance equity plan. In addition, if, based on the tabulated vote at the time of the special meeting, Endeavor is not authorized to consummate the acquisition, the stockholders of Endeavor will vote on the adjournment proposal. See the sections entitled *Name Change Amendment Proposal*, *Capitalization Amendment Proposal*, *Article Sixth Amendment Proposal*, *2007 Equity Plan Proposal* and *The Adjournment Proposal.*

Lock-Up Agreement

Mr. Charney has agreed not to sell any of the shares of Endeavor common stock he receives in the acquisition before the third anniversary of the closing of the acquisition, subject to certain exceptions. See the section entitled *The Acquisition Agreement Lock-up Agreement*.

Post-Acquisition Executive Officers and Employment Agreements

At the closing of the acquisition Mr. Charney, who is currently the chief executive officer of AAI, will become Endeavor s chief executive officer and president. None of Endeavor s other current officers will continue with Endeavor after the acquisition. All of the current officers of American Apparel will continue in their positions with American Apparel following the acquisition. Mr. Charney will enter into an employment agreement with Endeavor and American Apparel, effective as of the closing of the acquisition. See the section entitled *Directors and Executive Officers of Endeavor Following the Acquisition Employment Agreements*.

Post-Acquisition Board of Directors

After the acquisition, the board of directors of Endeavor will have nine members comprised of four persons designated by Mr. Charney, four persons designated by certain of Endeavor s current stockholders and one person mutually designated by the parties in accordance with a voting agreement that will be executed by the parties immediately prior to closing. The voting agreement will provide that the parties thereto will vote their shares of Endeavor common stock in favor of such designees to serve as directors of Endeavor through the annual meeting of stockholders of Endeavor to be held in 2010. See the section entitled *The Acquisition Agreement Election of Directors; Voting Agreement*.

Federal Income Tax Consequences

The acquisition will qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code and no gain or loss will be recognized by Endeavor or American Apparel as a result of the acquisition. Further, no gain or loss will be recognized by non-converting stockholders of Endeavor as a result of the acquisition. See the section entitled *The Acquisition Proposal Material Federal Income Tax Consequences of the Acquisition.*

Opinion of Jefferies & Company, Inc.

In connection with the acquisition, Endeavor s board of directors received an opinion from Jefferies & Company, Inc., or Jefferies, as to (i) the fairness to the holders of Endeavor common stock (other than any affiliates of Endeavor), from a financial point of view and as of the date of Jefferies opinion, of the consideration of approximately 32.3 million shares of Endeavor common stock to be paid by Endeavor pursuant to the Acquisition Agreement, and (ii) whether the fair market value of American Apparel was at least equal to 80% of Endeavor s net assets. The full text of Jefferies opinion, which sets forth the assumptions made, matters considered and limitations on the scope of review undertaken by Jefferies in rendering its opinion, is attached to this proxy statement as **Annex E**.

Endeavor encourages stockholders to read this opinion carefully and in its entirety. Jefferies opinion addresses only the fairness to the holders of Endeavor common stock (other than any affiliates of Endeavor), from a financial point of view and as of the date of Jefferies opinion, of the consideration of approximately 32.3 million shares of Endeavor common stock to be paid by Endeavor pursuant to the Acquisition Agreement, and whether the fair market value of American Apparel was at least equal to 80% of Endeavor s net assets, and does not address any other aspect of the acquisition. Jefferies opinion does not constitute a recommendation as to how any holder of Endeavor common stock should vote on the acquisition or any matter related thereto.

Recommendation of Endeavor Board of Directors

Endeavor s board of directors:

- has unanimously determined that the acquisition proposal and each of the name change amendment, the capitalization amendment, the Article Sixth amendment and the performance equity plan proposals are advisable and in the best interests of Endeavor and its stockholders;

- has unanimously approved the acquisition proposal and each of the name change amendment, the capitalization amendment, the Article Sixth amendment and the performance equity plan proposals;

- unanimously recommends that Endeavor s common stockholders vote FOR the acquisition proposal;

- unanimously recommends that Endeavor s common stockholders vote FOR the name change amendment proposal;

- unanimously recommends that Endeavor s common stockholders vote FOR the capitalization amendment proposal;

- unanimously recommends that Endeavor s common stockholders vote FOR the Article Sixth amendment proposal;

- unanimously recommends that Endeavor s common stockholders vote FOR the proposal to approve the performance equity plan; and

- if necessary, unanimously recommends that Endeavor s common stockholders vote FOR the proposal to approve an adjournment of the special meeting.

American Apparel Stockholders Approval

All of the stockholders of the American Apparel companies have approved the acquisition by written consent for purposes of the corporate and company laws of the State of California, the laws of the applicable provinces of Canada and Canadian federal law. Accordingly, no further action by the American Apparel stockholders is needed to approve the acquisition.

Reasons for the Acquisition

Endeavor believes that American Apparel is positioned for continued growth in its markets and believes that a business combination with American Apparel will provide Endeavor stockholders with an opportunity to participate in an enterprise with significant growth potential. American Apparel had annual growth rate in revenues of approximately 38.3% from revenues of approximately $205.5 million in 2005 to revenues of approximately $284.3 million in 2006, and annual growth rate in EBITDA of approximately 31.9% from

EBITDA of approximately $18.5 million in 2005 to EBITDA of approximately $24.4 million in 2006. A discussion of American Apparel s use of EBITDA and a reconciliation of American Apparel s EBITDA to net income, the most comparable GAAP measure, is contained in *Selected Summary Historical and Pro Forma Consolidated Financial Information Non-GAAP Financial Measures.*

To evaluate American Apparel s transition from a private company to a public company upon consummation of the acquisition, Endeavor measures, in part, American Apparel s growth in terms of EBITDA as adjusted for certain agreed upon adjustments, including workers compensation and inventory obsolescence. Giving effect to these adjustments, American Apparel had growth in pro forma adjusted EBITDA of approximately 33.3% from pro forma adjusted EBITDA of approximately $24.3 million in 2005 to pro forma adjusted EBITDA of approximately $32.4 million in 2006 and growth in pro forma adjusted EBITDA of approximately 66.1% from pro forma adjusted EBITDA of approximately $5.8 million in the first three months of 2006 to pro forma adjusted EBITDA of approximately $9.5 million in the first three months of 2007. A discussion of Endeavor s use of EBITDA after giving effect to these adjustments and a reconciliation of such pro forma adjusted EBITDA to net income, the most comparable GAAP measure, is contained in *The Acquisition Proposal Use of Pro Forma Adjusted EBITDA.*

Risk Factors

In analyzing the proposed acquisition, Endeavor considered the risk factors identified in *Risk Factors* and notes that, among other risks, American Apparel had aggregate existing net debt as defined in the Acquisition Agreement of approximately $117.3 million as of March 31, 2007, American Apparel will need to negotiate waivers with respect to its current noncompliance with certain covenants under its existing bank and credit facilities and American Apparel is involved in certain litigations and claims. See the section entitled *American Apparel s Management Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources.*

In evaluating the acquisition proposal, as well as the name change amendment, the capitalization amendment, the Article Sixth amendment and the performance equity plan proposals, you should carefully read this proxy statement and consider the factors discussed in the section entitled *Risk Factors.*

Certain Waiver and Modifications

Endeavor has waived certain requirements set forth in the Acquisition Agreement, including with respect to the requirement that American Apparel provide projections to Endeavor that American Apparel s pro forma adjusted EBITDA in 2007 will be at least $50 million. Endeavor also has agreed to allow additional adjustments to American Apparel s pro forma adjusted EBITDA calculations for 2006. See the section entitled *The Acquisition Agreement Certain Waivers and Modifications.*

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QUESTIONS AND ANSWERS ABOUT THE PROPOSALS

Q. Why am I receiving this proxy statement?

A. Endeavor and American Apparel have agreed to a business combination under the terms of the Agreement and Plan of Reorganization, dated as of December 18, 2006, as described in this proxy statement. This agreement is referred to as the Acquisition Agreement. A copy of the Acquisition Agreement is attached to this proxy statement as *Annex A*, and we encourage you to read it in its entirety.

In order to complete the acquisition, Endeavor stockholders must vote in favor of (i) the Acquisition Agreement, (ii) an amendment to Endeavor s certificate of incorporation to change the name of Endeavor from Endeavor Acquisition Corp. to American Apparel, Inc. and (iii) an amendment to Endeavor s certificate of incorporation to increase the number of shares of authorized common stock from 75,000,000 to 120,000,000. Endeavor stockholders also will be asked to vote to approve (a) an amendment to Endeavor s certificate of incorporation to make certain modifications to Article Sixth thereof and (b) the performance equity plan, but such approvals are not conditions to the acquisition. The performance equity plan has been approved by Endeavor s board of directors and will be effective upon consummation of the acquisition, if approved by the stockholders. Endeavor s amended and restated certificate of incorporation, as it will appear if all amendments proposed hereby are approved, is attached to this proxy statement as *Annex B*. The performance equity plan is attached to this proxy statement as *Annex C*.

Endeavor will hold a special meeting of its stockholders to obtain these approvals. This proxy statement contains important information about the proposed acquisition, the other proposals and the special meeting of Endeavor stockholders. You should read it carefully.

Your vote is important. We encourage you to vote as soon as possible after carefully reviewing this proxy statement.

Q. Do I have conversion rights?

A. If you hold shares of common stock issued in Endeavor s IPO, then you have the right to vote against the acquisition proposal and demand that Endeavor convert such shares into a pro rata portion of the trust account in which a substantial portion of the net proceeds of Endeavor s IPO are held. We sometimes refer to these rights to vote against the acquisition and demand conversion of the shares into a pro rata portion of the trust account as conversion rights.

Q. How do I exercise my conversion rights?

A. If you wish to exercise your conversion rights, you must (i) vote against the acquisition proposal, (ii) demand that Endeavor convert your shares into cash, (iii) continue to hold your shares through the closing of the acquisition and (iv) then deliver your shares to our transfer agent. In lieu of delivering your stock certificate, you may deliver your shares to the transfer agent electronically using Depository Trust Company s DWAC (Deposit Withdrawal at Custodian) System.

Any action that does not include an affirmative vote against the acquisition will prevent you from exercising your conversion rights. Your vote on any proposal other than the acquisition proposal will have no impact on your right to seek conversion.

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You may exercise your conversion rights either by checking the box on the proxy card or by submitting your request in writing to Endeavor at the address listed at the end of this section. If you (i) initially vote for the acquisition proposal but then wish to vote against it and exercise your conversion rights or (ii) initially vote against the acquisition proposal and wish to exercise your conversion rights but do not check the box on the proxy card providing for the exercise of your conversion rights or do not send a written request to Endeavor to exercise your conversion rights, or (iii) initially vote against the acquisition but later wish to vote for it, you may request Endeavor to send you another proxy card on which you may indicate your intended vote and, if that vote is against the acquisition proposal, exercise your conversion rights by checking the box provided for such purpose on the proxy card. You may make such request by contacting Endeavor at the phone number or address listed at the end of this section.

Any corrected or changed proxy card or written demand of conversion rights must be received by Endeavor prior to the special meeting. No demand for conversion will be honored unless the holder s stock certificate has been delivered to Endeavor s transfer agent prior to the special meeting.

If, notwithstanding your negative vote, the acquisition is completed, then you will be entitled to receive a pro rata portion of the trust account, including any interest earned thereon, calculated as of two business days prior to the anticipated date of the consummation of the acquisition. As of the record date, there was approximately $ in the trust account, which would amount to approximately $ per share upon conversion. If you exercise your conversion rights, then you will be exchanging your shares of Endeavor common stock for cash and will no longer own these shares.

Exercise of your conversion rights does not result in either the conversion or a loss of your warrants. Your warrants will continue to be outstanding and exercisable following a conversion of your common stock unless we do not consummate the acquisition.

Q. Do I have appraisal rights if I object to the acquisition?

A. Endeavor stockholders do not have appraisal rights in connection with the acquisition under the General Corporation Law of the State of Delaware (DGCL).

Q. What happens to the funds deposited in the trust account after consummation of the acquisition?

A. After consummation of the acquisition, Endeavor stockholders properly electing to exercise their conversion rights will receive their pro rata portion of the funds in the trust account. The balance of the funds in the trust account will be released to Endeavor and will become funds of the consolidated companies.

Q. What happens if the acquisition is not consummated?

A. Endeavor must liquidate if it does not consummate a business combination by December 21, 2007. In any liquidation, the funds held in the trust account, plus any interest earned thereon, together with any remaining out-of-trust net assets, will be distributed pro rata to the holders of Endeavor s common stock acquired in Endeavor s IPO. Holders of Endeavor common stock acquired prior to the IPO, including all of Endeavor s officers and directors, have waived any right to any liquidation distribution with respect to those shares.

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Q. When do you expect the acquisition to be completed?	**A.** It is currently anticipated that the acquisition will be consummated promptly following the Endeavor special meeting on , 2007. For a description of the conditions to completion of the acquisition, see the sections entitled *The Acquisition Agreement Conditions to the Closing of the Acquisition*.
Q. What do I need to do now?	**A.** Endeavor urges you to read carefully and consider the information contained in this proxy statement, including the annexes, and to consider how the acquisition will affect you as a stockholder of Endeavor. You should then vote as soon as possible in accordance with the instructions provided in this proxy statement and on the enclosed proxy card.
Q. How do I vote?	**A.** If you are a holder of record of Endeavor common stock at the close of business on , 2007, which is the record date for the special meeting, you may vote in person at the special meeting or by submitting a proxy for the special meeting. You may submit your proxy by completing, signing, dating and returning the enclosed proxy card in the accompanying pre-addressed postage paid envelope. If you hold your shares in street name, which means your shares are held of record by a broker, bank or nominee, you must provide the record holder of your shares with instructions on how to vote your shares.
Q. If my shares are held in street name, will my broker, bank or nominee automatically vote my shares for me?	**A.** No. Your broker, bank or nominee cannot vote your shares on any proposal unless you provide instructions on how to vote in accordance with the information and procedures provided to you by your broker, bank or nominee.
Q. Can I change my vote after I have mailed my signed proxy or direction form?	**A.** Yes. Send a later-dated, signed proxy card to Endeavor s secretary at the address of Endeavor s corporate headquarters prior to the date of the special meeting or attend the special meeting in person and vote. You also may revoke your proxy by sending a notice of revocation to Endeavor s secretary, which must be received by Endeavor s secretary prior to the special meeting.
Q. Do I need to send in my stock certificates?	**A.** Endeavor stockholders who do not elect to have their shares converted into a pro rata share of the trust account should not submit their stock certificates now or after the acquisition, because their shares will not be converted or exchanged in the acquisition. Endeavor stockholders who vote against the acquisition and exercise their conversion rights must deliver their shares to Endeavor s transfer agent (either physically or electronically) after the meeting.
Q. What should I do if I receive more than one set of voting materials?	**A.** You may receive more than one set of voting materials, including multiple copies of this proxy statement and multiple proxy cards or voting instruction cards. For example, if you hold your shares in more than one brokerage account, you will receive a separate voting instruction card for each brokerage account in which you hold shares. If you are a holder of record and your shares are registered in more than one name, you will receive more than one proxy card. Please complete, sign, date and return each proxy card and voting instruction card that you receive in order to cast a vote with respect to all of your Endeavor shares.

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Q. Who can help answer my questions?

A. If you have questions about the acquisition or if you need additional copies of the proxy statement or the enclosed proxy card you should contact:

Martin Dolfi

Endeavor Acquisition Corp.

7 Times Square, 17^{th} Floor

New York, New York 10036

Tel: (212) 683-5350

You may also obtain additional information about Endeavor from documents filed with the SEC by following the instructions in the section entitled *Where You Can Find More Information*.

If you intend to vote against the acquisition and seek conversion of your shares, you will need to deliver your shares (either physically or electronically) to Endeavor s transfer agent at the address below after the meeting. If you have questions regarding the certification of your position or delivery of your shares, please contact:

Mark Zimkind

Continental Stock Transfer & Trust Company

17 Battery Place, 8^{th} Floor

New York, New York 10004

Telephone: (212) 845-3287

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SELECTED SUMMARY HISTORICAL AND PRO FORMA

CONSOLIDATED FINANCIAL INFORMATION

We are providing the following selected financial information to assist you in your analysis of the acquisition.

AAI s consolidated statements of operations for the three months ended March 31, 2007 (unaudited) and March 31, 2006 (unaudited) and years ended December 31, 2006 (audited) and December 31, 2005 (unaudited) and consolidated balance sheets as of March 31, 2007 (unaudited), December 31, 2006 (audited) and December 31, 2005 (unaudited), are included elsewhere in this proxy statement.

The CI companies combined statements of operations for the three months ended March 31, 2007 (unaudited) and March 31, 2006 (unaudited) and years ended December 31, 2006 (audited) and December 31, 2005 (unaudited) and combined balance sheets as of March 31, 2007 (unaudited), December 31, 2006 (audited) and December 31, 2005 (unaudited), are included elsewhere in this proxy statement.

Endeavor s statements of operations for the three months ended March 31, 2007 (unaudited) and March 31, 2006 (unaudited), year ended December 31, 2006 (audited) and period from July 22, 2005 (Inception) to December 31, 2005 (audited) and balance sheets as of March 31, 2007 (unaudited), December 31, 2006 (audited) and December 31, 2005 (audited), are included elsewhere in this proxy statement.

In the opinion of each of Endeavor s and American Apparel s management, the respective unaudited financial statements include all adjustments (consisting of normal recurring adjustments) that are necessary for a fair presentation of such consolidated financial statements.

The selected financial information of AAI, the CI companies and Endeavor is only a summary and should be read in conjunction with each company s historical consolidated financial statements and related notes and *Other Information About Endeavor* and *American Apparel s Management s Discussion and Analysis of Financial Condition and Results of Operations* contained elsewhere in this proxy statement. The information presented may not be indicative of the future performance of Endeavor, AAI or the CI companies or the combined company resulting from the acquisition.

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American Apparel, Inc. and Subsidiaries (AAI)

Selected Historical Consolidated Financial Information (a)

(in thousands of dollars)

	Three Months Ended March 31, 2007 (unaudited)	Three Months Ended March 31, 2006 (unaudited)	Year Ended December 31, 2006	Year Ended December 31, 2005 (unaudited)
Consolidated Statements of Operations:				
Net sales	$ 69,033	$ 55,944	$ 264,691	$ 192,178
Cost of sales	30,836	29,042	138,385	99,754
Gross profit	38,197	26,902	126,306	92,424
Operating expenses	32,328	24,671	117,006	82,116
Income from operations	5,869	2,231	9,300	10,308
Interest expense	3,674	2,408	10,797	6,006
Other expense (income)	(111)	170	(1,208)	325
Income (loss) before income taxes	2,306	(348)	(289)	3,975
Income tax expense (benefit)	597	(35)	1,335	392
Net income (loss)	$ 1,709	$ (313)	$ (1,624)	$ 3,583

	March 31, 2007 (unaudited)	March 31, 2006 (unaudited)	December 31, 2006	December 31, 2005 (unaudited)
Consolidated Balance Sheets Data:				
Total assets	$ 162,832	$ 134,882	$ 148,157	$ 124,254
Total current liabilities	139,481	106,567	126,418	87,285
Total long-term liabilities	10,261	14,128	10,037	23,023
Stockholders equity	13,090	14,187	11,702	13,946

	Three Months Ended March 31, 2007 (unaudited)	Three Months Ended March 31, 2006 (unaudited)	Year Ended December 31, 2006	Year Ended December 31, 2005 (unaudited)
Other Cash Flow Data:				
Cash Flow (used in) from operations	$ (20,835)	$ (4,505)	$ 9,063	$ (348)
Cash Flow used in investing activities	(1,948)	(4,784)	(15,232)	(18,078)
Cash Flow from financing activities	24,642	6,959	6,001	19,716
Effect on cash from exchange rates	46	36	177	(149)
Net change in cash	$ 1,905	$ (2,294)	$ (9)	$ 1,141
Other Consolidated Data (unaudited):				
EBITDA (b)	$ 8,506	$ 4,273	$ 19,938	$ 15,368

(a) These financial statements do not include the results of operations or financial condition of the CI companies, which are audited separately, and set forth separately in this proxy.

(b) *See Non-GAAP Financial Measures.*

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The American Apparel Group of Canada (CI)

Selected Historical Combined Financial Information (a)

(in thousands of dollars)

	Three Months Ended March 31,			
	2007 CDN $ (unaudited)	2007 USD $ (c) (unaudited)	2006 CDN $ (unaudited)	2006 USD $ (c) (unaudited)
Combined Statements of Operations:				
Net sales	$ 8,364	$ 7,139	$ 6,945	$ 6,016
Cost of sales	3,092	2,639	2,539	2,199
Gross profit	5,272	4,500	4,406	3,817
Operating expenses	4,885	4,169	4,173	3,615
Income from operations	386	330	234	203
Interest expense	335	286	245	212
Other expense (income)				
Income (loss) before income taxes	52	44	(11)	(9)
Income tax expense	74	63	19	16
Net loss	$ (23)	$ (19)	$ (30)	$ (25)

	March 31,			
	2007 CDN $ (unaudited)	2007 USD $ (c) (unaudited)	2006 CDN $ (unaudited)	2006 USD $ (c) (unaudited)
Combined Balance Sheet Data:				
Total assets	$ 18,541	$ 16,059	$ 17,279	$ 14,794
Total current liabilities	8,725	7,557	10,805	9,251
Total long-term liabilities	7,959	6,893	4,972	4,257
Shareholders equity	1,858	1,609	1,502	1,286

	Three Months Ended March 31,			
	2007 CDN $ (unaudited)	2007 USD $ (c) (unaudited)	2006 CDN $ (unaudited)	2006 USD $ (c) (unaudited)
Other Cash Flow Data:				
Cash Flow (used in) from operations	$ (823)	$ (702)	$ 41	$ 36
Cash Flow used in investing activities	(122)	(104)	(385)	(333)
Cash Flow from financing activities	666	568	98	85
Effect on cash from exchange rates		2		2
Net change in cash	$ (280)	$ (236)	$ (246)	$ (210)

	Three Months Ended March 31,			
	2007 CDN $ (unaudited)	2007 USD $ (c) (unaudited)	2006 CDN $ (unaudited)	2006 USD $ (c) (unaudited)
Other Data (unaudited):				
EBITDA (b)	$ 932	$ 796	$ 619	$ 535

(a) These financial statements do not include the results of operations or financial condition of AAI, which are audited separately and set forth separately in this proxy statement.

(b) *See Non-GAAP Financial Measures.*

(c) Canadian dollars presented as of March 31, 2007 and 2006 were converted at an exchange rate of $0.8661 and $0.8568, respectively. Canadian dollars presented for the three months ended March 31, 2007 and 2006 were converted at an exchange rate of $0.8535 and $0.8662, respectively.

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The American Apparel Group of Canada (CI)

Selected Historical Combined Financial Information (a)

(in thousands of dollars)

	Year Ended December 31, 2006 CDN $	2006 USD $ (c)	2005 CDN $ (unaudited)	2005 USD $ (c) (unaudited)
Combined Statements of Operations:				
Net sales	$ 34,658	$ 30,546	$ 29,283	$ 24,166
Cost of sales	12,528	11,042	11,119	9,176
Gross profit	22,130	19,504	18,164	14,990
Operating expenses	20,797	18,330	17,391	14,352
Income from operations	1,333	1,175	773	638
Interest expense	1,151	1,014	642	530
Income before income taxes	182	161	131	108
Income tax expense	271	239	138	114
Net loss	$ (89)	$ (78)	$ (7)	$ (6)

	December 31, 2006 CDN $	2006 USD $ (c)	2005 CDN $ (unaudited)	2005 USD $ (c) (unaudited)
Combined Balance Sheets Data:				
Total assets	$ 18,082	$ 15,534	$ 17,297	$ 14,834
Total current liabilities	8,287	7,119	10,756	9,225
Total long-term liabilities	8,093	6,953	5,073	4,351
Shareholders equity	1,702	1,462	1,468	1,259

	Year Ended December 31, 2006 CDN $	2006 USD $ (c)	2005 CDN $ (unaudited)	2005 USD $ (c) (unaudited)
Other Cash Flow Data:				
Cash Flow from (used in) operations	$ (519)	$ (457)	$ 129	$ 106
Cash Flow used in investing activities	(1,881)	(1,658)	(3,908)	(3,225)
Cash Flow from financing activities	2,814	2,480	4,025	3,322
Effect on cash from exchange rates		(9)		8
Net change in cash	$ 414	$ 356	$ 246	$ 211

	Year Ended December 31, 2006 CDN $	2006 USD $ (c)	2005 CDN $ (unaudited)	2005 USD $ (c) (unaudited)
Other Data (unaudited):				
EBITDA (b)	$ 5,324	$ 4,693	$ 4,217	$ 3,475

(a) These financial statements do not include the results of operations or financial condition of AAI, which are audited separately and set forth separately in this proxy statement.

(b) *See Non-GAAP Financial Measures.*

(c) Canadian dollars presented as of December 31, 2006 and 2005 were converted at an exchange rate of $0.8590 and $0.8576, respectively. Canadian dollars presented for the year ended December 31, 2006 and 2005 were converted at an exchange rate of $0.8813 and $0.8103, respectively.

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Endeavor Acquisition Corp.

Selected Historical Financial Information

(in thousands of dollars, except share data)

	Three Months Ended March 31, 2007 (unaudited)	Three Months Ended March 31, 2006 (unaudited)	Year Ended December 31, 2006	Period from July 22, 2005 (Inception) to December 31, 2005
Statements of Operations:				
Selling, general & administrative expenses	$ 271	$ 222	$ 1,101	$ 63
Income (loss) from operations	(271)	(222)	(1,101)	(63)
Interest expense				
Dividend and interest income	1,034	855	(3,974)	(118)
Income before provision for income taxes	$ 763	$ 633	$ 2,873	$ 55
Provision for income taxes		119	3	1
Net income	$ 763	$ 514	$ 2,870	$ 54
Accretion of trust fund relating to common stock subject to possible conversion	(206)	(171)	(794)	(24)
Net income available to common stockholders	$ 557	$ 343	$ 2,076	$ 30
Weighted average shares outstanding	16,678,713	16,647,408	16,668,534	4,670,245
Basic and diluted net income per share	$ 0.03	$ 0.02	$ 0.12	$ 0.01

	March 31, 2007 (unaudited)	March 31, 2006 (unaudited)	December 31, 2006	December 31, 2005
Balance Sheets Data:				
Total assets	$ 126,655	$ 125,546	$ 125,546	$ 113,640
Total current liabilities	605	260	260	64
Common stock subject to possible conversion	25,228	25,022	25,022	22,461
Stockholders equity	100,821	100,264	100,264	91,115

	Three Months Ended March 31, 2007 (unaudited)	Three Months Ended March 31, 2006 (unaudited)	Year Ended December 31, 2006	Period from July 22, 2005 (Inception) to December 31, 2005
Cash Flow Data:				
Cash Flow from (used in) operations	$ 981	$ 737	$ 3,137	$ (68)

Cash Flow used in investing activities	(1,032)	(9,695)	(12,809)	(112,308)
Cash Flow from financing activities	73	8,840	8,694	113,521
Net change in cash	22	(118)	$ (978)	$ 1,145

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Non-GAAP Financial Measures

Use of EBITDA

American Apparel presents EBITDA because it believes it provides an important measure of its financial performance. American Apparel defines EBITDA as net income (loss) before:

interest expense;

income taxes;

depreciation and amortization; and

related-party management fees.

American Apparel s management uses EBITDA as an important financial measure to assess the ability of American Apparel s assets to generate cash sufficient to pay interest on its indebtedness, meet capital expenditure and working capital requirements, and otherwise meet its obligations as they become due. American Apparel s management believes that the presentation of EBITDA included in this proxy statement provides useful information regarding American Apparel s results of operations because it assists in analyzing and benchmarking the performance and value of American Apparel s business. In particular, EBITDA is one of the key measures used by Endeavor with respect to the proposed acquisition in the valuation of American Apparel as described in the sections of this proxy statement entitled *The Acquisition Proposal Endeavor s Board of Directors Reasons for Approval of the Acquisition.* In addition, EBITDA is an important valuation tool used by potential investors when assessing the relative performance of a company in comparison to other companies in the same industry.

Although American Apparel uses EBITDA as a financial measure to assess the performance of its business, there are material limitations to using a measure such as EBITDA, as adjusted, including the difficulty associated with using it as the sole measure to compare the results of one company to another and the inability to analyze significant items that directly affect a company s net income (loss) or operating income because it does not include certain material costs, such as interest and taxes, necessary to operate its business. In addition, American Apparel s calculation of EBITDA may not be consistent with similarly titled measures of other companies and should be viewed in conjunction with measures that are computed in accordance with GAAP. American Apparel s management compensates for these limitations in considering EBITDA in conjunction with its analysis of other GAAP financial measures, such as net income (loss).

American Apparel had growth in EBITDA of approximately 97.8% from EBITDA of approximately $4.6 million in the first three months of 2006 to EBITDA of approximately $9.1 million in the first three months of 2007.

American Apparel had growth in EBITDA of approximately 21.1% from EBITDA of approximately $18.5 million in 2005 to EBITDA of approximately $24.4 million in 2006.

Reconciliation of American Apparel s Combined Condensed EBITDA

The following table presents a reconciliation of American Apparel s EBITDA to its net income, the most directly comparable GAAP financial measure, on a historical basis, for the periods presented:

	Three Months Ended March 31,		Year Ended December 31,	
	2007 (unaudited)	2006 (unaudited)	2006 (unaudited)	2005 (unaudited)
Net income (loss)	$ 1,504	$ (518)	$ (1,884)	$ 3,253

Income taxes	660	(19)	1,574	506
Interest expense	3,960	2,620	11,811	6,536
Depreciation and amortization	2,907	2,546	10,899	6,328
Related-party management fee	85		2,045	1,896
EBITDA	$ 9,116	$ 4,629	$ 24,445	$ 18,519

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Reconciliation of AAI s EBITDA

The following table presents a reconciliation of the AAI s EBITDA to its net income, the most directly comparable GAAP financial measure, on a historical basis, for the periods presented:

	Three Months Ended March 31,		Year Ended December 31,	
	2007 (unaudited)	2006 (unaudited)	2006 (unaudited)	2005 (unaudited)
Net income (loss)	$ 1,709	$ (313)	$ (1,624)	$ 3,583
Income taxes	597	(35)	1,335	392
Interest expense	3,674	2,408	10,797	6,006
Depreciation and amortization	2,526	2,213	9,430	5,387
EBITDA	$ 8,506	$ 4,273	$ 19,938	$ 15,368

Reconciliation of the CI companies EBITDA

The following table presents a reconciliation of the CI companies EBITDA to their net income, the most directly comparable GAAP financial measure, on a historical basis, for the periods presented:

	Three Months Ended March 31,			
	2007 CDN $ (unaudited)	2007 USD $ (unaudited)	2006 CDN $ (unaudited)	2006 USD $ (unaudited)
Net loss	$ (23)	$ (19)	$ (30)	$ (26)
Income taxes	74	63	19	16
Interest expense	335	286	245	212
Depreciation and amortization	446	381	385	333
Related party management fee	100	85		
EBITDA	$ 932	$ 796	$ 619	$ 535

The following table presents a reconciliation of the CI companies EBITDA to their net income, the most directly comparable GAAP financial measure, on a historical basis, for the periods presented:

	Year Ended December 31,			
	2006 CDN $ (unaudited)	2006 USD $ (unaudited)	2005 CDN $ (unaudited)	2005 USD $ (unaudited)
Net loss	$ (89)	$ (77)	$ (7)	$ (6)
Income taxes	271	239	138	114
Interest expense	1,151	1,014	642	530
Depreciation and amortization	1,671	1,473	1,146	941
Related party management fee	2,320	2,045	2,298	1,896
EBITDA	$ 5,324	$ 4,694	$ 4,217	$ 3,475

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Selected Unaudited Pro Forma Combined Financial Information

The acquisition will be accounted for as a reverse merger and recapitalization since the stockholders of American Apparel will own a majority of the outstanding shares of the common stock immediately following the completion of the transaction. American Apparel will be deemed to be the accounting acquirer in the transaction and, consequently, the transaction is treated as a recapitalization of American Apparel. Accordingly, the assets and liabilities and the historical operations that will be reflected in the Endeavor financial statements after consummation of the acquisition will be those of American Apparel and will be recorded at the historical cost basis of American Apparel. Endeavor s assets, liabilities and results of operations will be consolidated with the assets, liabilities and results of operations of American Apparel upon consummation of the acquisition.

We have presented below selected unaudited pro forma condensed combined financial information that reflects recapitalization accounting and is intended to provide you with a better picture of what Endeavor s businesses might have looked like had AAI, the CI companies and Endeavor actually been combined as of the periods indicated. You should not rely on the selected unaudited pro forma condensed combined financial information as being indicative of the historical results that would have occurred had the companies been combined or the future results that may be achieved after the acquisition. The following selected unaudited pro forma condensed combined financial information has been derived from, and should be read in conjunction with, the unaudited pro forma condensed combined financial statements and related notes thereto included elsewhere in this proxy statement.

We are providing this information to aid you in your analysis of the financial aspects of the acquisition. The following unaudited selected pro forma condensed combined statement of operations combines Endeavor s historical statement of operations for the three months ended March 31, 2007 and the year ended December 31, 2006 with those of AAI and the CI companies for the three months ended March 31, 2007 and the year ended December 31, 2006, in each case giving effect to the acquisition as if it had occurred on January 1, 2006. The following unaudited selected pro forma condensed combined balance sheet combines Endeavor s historical balance sheet and those of AAI and the CI companies as of March 31, 2007, giving effect to the transactions described in the Acquisition Agreement as if they had occurred on March 31, 2007.

The unaudited pro forma adjustments are based upon available information and assumptions that we believe are reasonable. The unaudited pro forma condensed combined statements of operations and the pro forma condensed combined balance sheet do not purport to represent the results of operations that would have occurred had such transactions been consummated on the dates indicated or the financial position for any future date or period.

The following information, which is included elsewhere in this proxy statement, should be read in conjunction with the pro forma condensed combined financial information:

- accompanying notes to the unaudited pro forma condensed combined information;
- separate historical consolidated financial statements of AAI and the CI companies for the year ended December 31, 2006;
- separate historical financial statements of Endeavor for the year ended December 31, 2006;
- separate historical unaudited consolidated financial statements of AAI and the CI companies for the three months ended March 31, 2007; and
- separate historical unaudited financial statements of Endeavor for the three months ended March 31, 2007.

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The following selected financial data is derived from the pro forma condensed combined financial statement included elsewhere in this proxy statement, which has been prepared using four different assumptions with respect to the number of outstanding shares of Endeavor stock and cash immediately following the acquisition, as follows:

assuming no conversions and Mr. Charney consummates the Lim Buyout this presentation assumes that no stockholders of Endeavor seek to convert their shares into a pro rata share of the trust account and Mr. Charney purchases all of Mr. Lim s equity interest in the American Apparel companies using his own resources;

assuming maximum conversions and Mr. Charney consummates the Lim Buyout this presentation assumes stockholders of Endeavor owning 19.99% of the stock sold in Endeavor s initial public offering seek conversion and Mr. Charney purchases all of Mr. Lim s equity interest in the American Apparel companies using his own resources;

assuming no conversions and Endeavor consummates the Lim Buyout this presentation assumes that no stockholders of Endeavor seek to convert their shares into a pro rata share of the trust account and Endeavor purchases all of Mr. Lim s equity interest in the American Apparel companies using a portion of the trust fund (estimated at $62,958,904 assuming a closing on July 30, 2007); and

assuming maximum conversions and Endeavor consummate the Lim Buyout this presentation assumes that no stockholders of Endeavor seek to convert their shares into a pro rata share of the trust account and Endeavor purchases all of Mr. Lim s equity interest in the American Apparel companies using a portion of the trust fund (estimated at $62,958,904 assuming the acquisition closes on July 30, 2007).

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SELECTED UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET

ASSUMING LIM BUYOUT AFFECTED BY MR. CHARNEY

MARCH 31, 2007

(in thousands of dollars, except per share data)

	Endeavor Acquisition Corp. USD $	American Apparel, Inc. USD $	CI Companies CDN $	CI Companies USD $	Pro Forma Adjustments No Conversion USD $	Pro Forma Combined No Conversion USD $	Pro Form Adjustments Maximum Allowable Conversion USD $	Pro Form Combined Maximum Allowable Conversion USD $
Total assets	$ 126,655	$ 162,832	$ 18,541	$ 16,059	$ (10,784)	$ 294,761	$ (25,228)	$ 269,533
Current liabilities	605	98,481	8,725	7,557	(7,184)	99,459		99,459
Common stock, subject to possible conversion	25,228					25,228	(25,228)	
Long-term debt, net of current portion		41,260	7,032	6,090		47,350		47,350
Capital lease obligations, net of current position		2,994	115	100		3,094		3,094
Deferred rent		7,007	811	702		7,709		7,709
Total stockholders equity	126,049	13,030	1,858	1,609	(3,600)	137,149		111,921
Total liabilities and stockholders equity	$ 126,655	$ 162,832	$ 18,541	$ 16,058	$ (10,784)	$ 294,761	$ (25,228)	$ 264,533

See Unaudited Pro Forma Condensed Combined Financial Statements.

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SELECTED UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS

AND PER SHARE DATA

ASSUMING LIM BUYOUT AFFECTED BY MR. CHARNEY

THREE MONTHS ENDED, MARCH 31, 2007

(in thousands of dollars)

	Endeavor Acquisition Corp. USD $	American Apparel, Inc. USD $	CI Companies CDN $	CI Companies USD $	Pro Forma Adjustment No Conversion USD $	Pro Forma Combined No Conversion USD $
Net sales	$	$ 69,033	$ 8,364	$ 7,139	$ (2,670)	$ 73,502
Cost of goods sold		30,836	3,093	2,640	(2,485)	30,991
Gross profit		38,197	5,271	4,499	(185)	42,511
Selling, general and administrative	271	32,328	4,885	4,169	(85)	36,683
Income (loss) from operations	(271)	5,869	386	330	(100)	5,828
Interest and other (income) expense	(1,034)	3,563	335	286	473	3,288
Income (loss) before income taxes	763	2,306	51	44	(473)	2,540
Income tax provision (benefit)		597	74	63		660
Net income (loss)	763	1,709	(23)	(19)	(573)	1,880
Accretion of trust fund, relating to Common Stock subject to possible conversion	206				(206)	
Net income (loss) available to common stockholders	$ 557	$ 1,709	$ (23)	$ (19)	$ (367)	$ 1,879

See Unaudited Pro Forma Condensed Combined Financial Statements.

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SELECTED UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS

AND PER SHARE DATA

ASSUMING LIM BUYOUT AFFECTED BY MR. CHARNEY

YEAR ENDED DECEMBER 31, 2006

(in thousands of dollars)

	Endeavor Acquisition Corp. USD $	American Apparel, Inc. USD $	CI Companies CDN $	CI Companies USD $	Pro Forma Adjustment No Conversion USD $	Pro Forma Combined No Conversion USD $
Net sales	$	$ 264,691	$ 34,658	$ 30,546	$ (10,972)	$ 284,265
Cost of sales		138,385	12,527	11,042	(10,790)	138,637
Gross profit		126,306	22,130	19,505	(182)	145,629
Selling, general and administrative	1,101	117,006	20,797	18,330	(1,991)	134,446
Income (loss) from operations	(1,101)	9,300	1,333	1,175	1,809	11,183
Interest and other (income) expense	(3,974)	9,589	1,151	1,014	3,033	9,662
Income (loss) before income taxes	2,873	289	182	160	(1,224)	1,520
Income tax provision (benefit)	2	1,335	271	239		(1,577)
Net income (loss)	2,870	(1,624)	(89)	(78)	(1,224)	(56)
Accretion of trust fund, relating to Common Stock subject to possible conversion	794				(794)	
Net income (loss) available to common stockholders	$ 2,076	$ (1,624)	$ (89)	$ (78)	$ (430)	$ (56)

See Unaudited Pro Forma Condensed Combined Financial Statements.

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SELECTED UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET

ASSUMING LIM BUYOUT AFFECTED BY ENDEAVOR

MARCH 31, 2007

(in thousands of dollars)

	Endeavor Acquisition Corp. USD $	American Apparel, Inc. USD $	CI Companies CDN $	CI Companies USD $	Pro Forma Adjustments No Conversion USD $	Pro Forma Combined- No Conversion USD $	Pro Forma Adjustments Maximum Allowable Conversion USD $	Pro Forma Combined Maximum Allowable Conversion USD $
Total assets	$ 126,655	$ 162,832	$ 18,541	$ 16,059	$ (73,743)	$ 231,802	$ (25,228)	$ 206,574
Current Liabilities:								
Long-term debt, net of current portion		260	7,032	6,090		6,350		6,350
Capital lease obligations, net of current position		2,994	115	100		3,094		3,094
Deferred rent		7,007	811	702		7,709		7,709
Stockholders equity								
Total stockholders equity	100,822	13,090	1,858	1,609	(66,559)	74,190		48,962
Total liabilities and stockholders equity	$ 126,655	$ 162,832	$ 18,541	$ 16,058	$ (73,743)	$ 231,802	$ (25,228)	$ 206,574

See Unaudited Pro Forma Condensed Combined Financial Statements.

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SELECTED UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF

OPERATIONS

AND PER SHARE DATA

ASSUMING LIM BUYOUT AFFECTED BY ENDEAVOR

THREE MONTHS ENDED, MARCH 31, 2007

(in thousands of dollars, except per share data)

	Endeavor Acquisition Corp. USD $	American Apparel, Inc. USD $	CI Companies CDN $	CI Companies USD $	Pro Form Adjustment No Conversion USD $	Pro Forma Combined No Conversion USD $
Net sales	$	$ 69,033	$ 8,364	$ 7,139	$ (2,670)	$ 73,502
Cost of goods sold		30,836	3,093	2,640	(2,485)	30,991
Gross profit		38,197	5,271	4,499	(185)	42,511
Selling, general and administrative	271	32,328	4,885	4,169	(85)	36,683
Income (loss) from operations	(271)	5,869	386	330	(100)	5,828
Interest and other (income) expense	(1,034)	3,563	335	286	473	3,288
Income (loss) before income taxes	763	2,306	51	44	(573)	2,540
Income tax provision (benefit)		597	74	63		660
Net income (loss)	763	1,709	(23)	(19)	(573)	1,880
Accretion of trust fund, relating to Common Stock subject to possible conversion	206				(206)	
Net income (loss) available to common stockholders	$ 557	$ 1,709	$ (23)	$ (19)	$ (367)	$ 1,879

See Unaudited Pro Forma Condensed Combined Financial Statements.

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SELECTED UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS

AND PER SHARE DATA

ASSUMING LIM BUYOUT AFFECTED BY ENDEAVOR

YEAR ENDED, DECEMBER 31, 2006

(in thousands of dollars, except per share data)

	Endeavor Acquisition Corp. USD $	American Apparel, Inc. USD $	CI Companies CDN $	CI Companies USD $	Pro Forma Adjustment No Conversion USD $	Pro Forma Combined No Conversion USD $
Net sales	$	$ 264,691	$ 34,658	$ 30,546	$ (10,972)	$ 284,265
Cost of goods sold		138,385	12,527	11,042	(10,790)	138,637
Gross profit		126,306	22,130	19,505	(182)	145,629
Selling, general and administrative	1,101	117,006	20,797	18,330	(1,991)	134,446
Income (loss) from operations	(1,101)	9,300	1,333	1,175	1,809	11,183
Interest and other (income) expense	(3,974)	9,589	1,151	1,014	3,033	9,662
Income (loss) before income taxes	2,873	(289)	182	160	(1,224)	1,520
Income tax provision (benefit)	2	1,335	271	239		(1,577)
Net income (loss)	2,870	(1,624)	(89)	(78)	(1,224)	(56)
Accretion of trust fund, relating to Common Stock subject to possible conversion	794				(794)	
Net income (loss) available to common stockholders	$ 2,076	$ (1,624)	$ (89)	$ (78)	$ (430)	$ (56)

See Unaudited Pro Forma Condensed Combined Financial Statements.

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Comparative Per Share Data

The following table sets forth unaudited pro forma combined per share ownership information of AAI, the CI companies and Endeavor after giving effect to the acquisition, assuming both no conversions and maximum conversions by Endeavor stockholders. You should read this information in conjunction with the selected summary historical financial information included elsewhere in this proxy statement, and the historical financial statements of AAI, the CI companies and Endeavor and related notes that are included elsewhere in this proxy statement. The unaudited AAI, the CI companies and Endeavor pro forma combined per share information is derived from, and should be read in conjunction with, the unaudited pro forma condensed combined financial information and related notes included elsewhere in this proxy statement.

The unaudited pro forma combined earnings per share information below does not purport to represent the earnings per share which would have actually occurred had the companies been combined, nor earnings per share for any future date or period. The unaudited pro forma combined book value per share information below does not purport to represent what the value of AAI, the CI companies and Endeavor would have actually been had the companies been combined.

	AAI	CI	Endeavor	Unaudited Pro Forma Combined Company
	(in thousands, except per share data)			
Number of shares of common stock outstanding upon consummation of the acquisition (assuming no adjustment to the number of shares issued based on American Apparel s net debt):				
Assuming no conversions and Mr. Charney affects Lim Buyout				52,169
Assuming maximum conversions and Mr. Charney affects Lim Buyout				48,937
Assuming no conversions and Endeavor affects Lim Buyout				44,045
Assuming maximum conversions and Endeavor affects Lim Buyout				40,813
Book value historical at March 31, 2007	$ 13,090	$ 1,609	$ 126,049	
Book value pro forma at March 31, 2007:				
Assuming no conversions and Mr. Charney affects Lim Buyout				$ 140,049
Assuming maximum conversions and Mr. Charney affects Lim Buyout				$ 114,821
Assuming no conversions and Endeavor affects Lim Buyout				$ 77,090
Assuming maximum conversions and Endeavor affects Lim Buyout				$ 51,862
Earnings per share historical three months ended March 31, 2007		$ 0.03		
Earnings per share historical year ended December 31, 2006		$ 0.10		
Earnings per share pro forma three months ended March 31, 2007:				
Assuming no conversions and Mr. Charney affects Lim Buyout basic and diluted			$ 0.04	
Assuming no conversions and Endeavor affects Lim Buyout basic and diluted			$ 0.04	
Assuming maximum conversions and Mr. Charney affects Lim Buyout basic and diluted			$ 0.04	
Assuming maximum conversions and Endeavor affects Lim Buyout basic and diluted			$ 0.04	
Earnings per share pro forma year ended December 31, 2006:				
Assuming no conversions and Mr. Charney affects Lim Buyout basic and diluted				$ (0.03)
Assuming no conversions and Endeavor affects Lim Buyout basic and diluted				$ (0.03)
Assuming maximum conversions and Mr. Charney affects Lim Buyout basic and diluted				$ (0.03)
Assuming maximum conversions and Endeavor affects Lim Buyout basic and diluted				$ (0.03)

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RISK FACTORS

You should carefully consider the following risk factors, together with all of the other information included in this proxy statement, before you decide whether to vote or instruct your vote to be cast to adopt the acquisition proposal.

Risks Related to Endeavor s Business and Operations

Following the Acquisition of American Apparel

The value of your investment in Endeavor following consummation of the acquisition will be subject to the significant risks inherent in operating in the retail apparel market, as well as risks that may arise in connection with the integration of the various companies. You should carefully consider the risks and uncertainties described below and other information included in this proxy statement. If any of the events described below occur, Endeavor s post-acquisition business and financial results could be adversely affected in a material way. This could cause the trading price of its common stock to decline, perhaps significantly, and you therefore may lose all or part of your investment.

We must successfully gauge fashion trends and changing consumer preferences in order to succeed generally and to effectively manage our inventory.

Our success will be largely dependent upon our ability to gauge the fashion tastes of our customers and to provide merchandise that satisfies customer demand in a timely manner. The retail 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 or the products suitable for our market, our sales will be adversely affected and the markdowns required to sell the resulting excess inventory will adversely affect our operating results. Some of our past product offerings have not been well received by our customer base. Merchandise misjudgments could have a material adverse effect on our image with our customers and on our operating results. Fluctuations in the apparel retail market affect the inventory owned by apparel retailers, since merchandise usually must be manufactured in advance of the season and frequently before fashion trends are evidenced by customer purchases. In addition, the cyclical nature of the retail apparel business will require us to carry a significant amount of inventory, especially prior to peak selling seasons when we build up our inventory levels. As a result, we will be vulnerable to demand and pricing shifts and to suboptimal selection and timing of merchandise production. If sales do not meet expectations, too much inventory may cause excessive markdowns and, therefore, lower than planned margins.

Our business will be highly competitive and our market share may be adversely impacted at any time by the significant number of competitors in our industry.

The retail apparel industry, in general, and the imprintable apparel market, specifically, are fragmented and highly competitive. Prices of certain products we manufacture, particularly t-shirts, are determined based on market conditions, including the price of raw materials. There can be no assurance that we will be able to compete successfully in the future. We will compete with national and local department stores, specialty and discount store chains, independent retail stores and Internet businesses that market similar lines of merchandise. We will face a variety of competitive challenges, including:

- anticipating and quickly responding to changing consumer demands;
- maintaining favorable brand recognition and effectively marketing our products to consumers in several diverse market segments;
- developing innovative, high-quality products in sizes, colors and styles that appeal to consumers;
- sourcing raw materials and manufacturing merchandise efficiently;

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- competitively pricing our products and achieving customer perception of value;
- providing strong and effective marketing support; and
- maintaining high levels of consumer traffic to our retail stores.

We will also face competition in European, Asian and Canadian markets from established regional and national chains. Our success in these markets depends on determining a sustainable profit formula to build brand loyalty and gain market share in these challenging retail environments.

Purchases of retail apparel merchandise are generally discretionary and therefore are particularly susceptible to decline in poor economic conditions.

The outlook for the United States and world economy is uncertain and is directly affected by global factors that are beyond our control. Such factors include disposable consumer income, oil prices, recession and fears of recession, war and fears of war, terrorist attacks, inclement weather, consumer debt, interest rates, sales tax rates, consumer confidence in future economic conditions and political conditions, and consumer perceptions of personal well-being and security. Consumers are generally more willing to make discretionary purchases, including purchases of fashion products, during periods in which favorable economic conditions prevail. If economic conditions change, our business, financial condition and results of operations could be adversely affected. We cannot predict the indirect effects such as rising oil and freight prices, consumer spending or other economic factors such as natural disasters will have on our results of operations.

Our growth strategy relies in part on the opening of new stores and the remodeling of existing stores each year, which may strain our resources and adversely impact the performance of our existing store base.

Our growth strategy depends in part on the opening of new American Apparel retail stores, the remodeling of existing stores in a timely manner and the operation of these stores in a cost-efficient manner. Successful implementation of this portion of our growth strategy depends on a number of factors including, but not limited to, our ability to:

- obtain suitable store locations and negotiate acceptable leases for these locations;
- complete store design and remodeling projects on time and on budget;
- supply our stores with proper types and quantities of merchandise; and
- hire and train qualified store managers and sales people.

Additionally, new stores that we open may place increased demands on our existing operational, managerial and administrative resources, which could cause us to operate less effectively. Furthermore, it is possible that by opening a new store in an existing market, we could adversely affect the previously existing stores in that market by drawing away foot traffic from the previously existing store.

Expanding our business internationally is an important part of our overall growth strategy and our success in this regard is subject to numerous risks, any of which could delay or prevent successful penetration into international markets.

As we expand internationally, we will need to effectively and efficiently open and operate stores in international locations. Our international growth will be limited unless we can:

identify suitable markets and sites for store locations;

negotiate acceptable lease terms;

hire, train and retain competent store personnel;

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gain acceptance from foreign customers;

manage inventory effectively to meet the needs of new and existing stores on a timely basis;

expand infrastructure to accommodate growth;

generate sufficient operating cash flows or secure adequate capital on commercially reasonable terms to fund our expansion plan;

manage foreign exchange risks effectively;

address existing and changing legal, regulatory and political environments in target foreign markets; and

manage international growth, if any, in a manner that does not unduly strain our financial, operating and management resources.

We anticipate that we will incur significant costs related to starting up and maintaining additional foreign operations. Costs may include, and will not be limited to, obtaining prime locations for stores, setting up foreign offices and distribution facilities and hiring experienced management.

We expect to experience fluctuations in our comparable store sales and margins, which could make it difficult to gauge our growth at any specific period of time.

Our success will depend, in part, upon our ability to improve sales, as well as gross margins and operating margins, at American Apparel s existing stores. American Apparel s comparable store sales have fluctuated significantly in the past on an annual, quarterly and monthly basis, and we expect that they will continue to fluctuate in the future. For example, over the past two years, American Apparel s quarterly comparable store sales have ranged from an increase of 64.4% in the first quarter of 2005 to an increase of 0.1% in the second quarter of 2006. American Apparel s comparable store sales in 2006 increased 4.8% from 2005. A variety of factors affect comparable store sales, including fashion trends, competition, current economic conditions, the timing of release of new merchandise and promotional events, changes in our merchandise mix, the success of marketing programs and weather conditions. These factors may cause our comparable store sales results to differ materially from American Apparel s prior periods and from our expectations. Our ability to deliver strong comparable store sales results and margins will depend in large part on accurately forecasting demand and fashion trends, selecting effective marketing techniques, providing an appropriate mix of merchandise for our customer base, managing inventory effectively, using more effective pricing strategies, and optimizing store performance.

We will be dependent on key personnel, and our ability to grow and compete will be harmed if we do not retain the continued services of such personnel, or we fail to identify, hire and retain additional qualified personnel.

We will be dependent on the efforts of American Apparel s management team, and the loss of services of one or more members of this team, each of whom have substantial experience in the apparel industry, could have an adverse effect on our business. American Apparel s senior officers closely supervise all aspects of the American Apparel business, in particular the design and production of merchandise and the operation of the American Apparel stores. If any member of American Apparel s management leaves, such departure could have an adverse effect on our operations and could adversely affect our ability to design new products and to maintain and grow the distribution channels for our products. The loss of Mr. Charney would be particularly harmful as he is considered intimately connected to American Apparel s brand identity and is the principal driving force behind American Apparel s core concepts. In addition, if we experience material growth following the acquisition, we will need to attract and retain additional qualified personnel. The market for qualified and talented design and marketing personnel in the apparel industry is intensely competitive. If we are unable to attract or retain qualified personnel as needed, our growth will be hampered and our operating results could be materially adversely affected.

Cost increases in the materials or labor used to manufacture our products could negatively impact our business and financial condition.

The manufacture of American Apparel s products is labor intensive and utilizes raw materials supplied by third parties. An important part of American Apparel s branding and marketing is that its products are made in the United States. If the cost of labor materially increases, our financial results could be materially adversely affected and our ability to compete against companies with lower labor costs could be hampered. Material increases in labor costs in the United States could also force us to move all or a portion of our manufacturing overseas, which could adversely affect the American Apparel brand identity. Similarly, increases in the prices we pay to the suppliers of the raw materials used in the manufacturing of our products could adversely affect our financial condition and ability to compete and could force us to seek to offset increased raw material costs by relocating all or a portion of our manufacturing overseas to locations with lower labor costs.

Unionization of employees at our facilities could result in increased risk of work stoppages and high labor costs.

American Apparel s employees are not party to any collective bargaining agreement or union. If employees at our manufacturing or distribution facilities were to unionize, our relationship with our employees could be adversely affected. We would also face an increased risk of work stoppages and higher labor costs. Accordingly, unionization of our employees could have a material adverse impact on our operating costs and financial condition and could force us to raise prices on our products, curtail operations and/or relocate all or a portion of our operations overseas.

Many of American Apparel s workers are documented immigrants and authorized to work in the United States; however, changes in immigration and labor laws could affect such labor force.

Many of American Apparel s workers are documented immigrants, authorized to work in the United States. Changes to existing U.S. immigration laws or labor laws could affect this labor force and could make it harder for members of such force to remain or legally work in the United States. Any changes in U.S. laws having such an affect could make it harder for American Apparel to maintain and expand its work force, which would be adverse to American Apparel s manufacturing capabilities and harm American Apparel s operations and financial results.

Our manufacturing operations will be located in higher-cost geographic locations, placing us at a disadvantage to competitors that have a higher percentage of their operations overseas.

Despite the general industry-wide migration of manufacturing operations to lower-cost locations, such as Central America, the Caribbean Basin and Asia, American Apparel s textile manufacturing operations are still located in the United States, which is a higher-cost location relative to these offshore locations. In addition, American Apparel s competitors generally source or produce a greater portion of their textiles from regions with lower costs than American Apparel, which will place us at a cost disadvantage. This can enable our competitors to exert pricing pressure in the industry by using their manufacturing cost savings to reduce prices of their products.

Reliance on third party shippers to deliver merchandise to stores and customers could result in business disruption.

The efficient operation of American Apparel s stores and wholesale business depends on the timely receipt of merchandise from its distribution centers. Independent third party transportation companies deliver a substantial portion of American Apparel s merchandise to our stores. These shippers may not continue to ship our products at current pricing or terms. These shippers may employ personnel represented by labor unions. Disruptions in the delivery of merchandise or work stoppages by employees or contractors of these third parties could delay the timely receipt of merchandise. There can be no assurance that such stoppages or disruptions will not occur in the future. Any failure by these third parties to respond adequately to our distribution needs would disrupt our operations and could have a material adverse effect on our financial condition and results of operations.

Elimination of U.S. import protections would eliminate an important barrier to competition with respect to merchandise produced in lower labor cost locations, which could place us at a disadvantage.

Our products will be subject to foreign competition. Foreign producers of apparel often have significant labor cost advantages, which can enable them to sell their products at relatively lower prices. However, in the past, foreign competitors have been faced with significant U.S. government import restrictions. The extent of import protection afforded to domestic apparel producers has been, and is likely to remain, subject to political considerations, and is therefore unpredictable. Given the number of foreign producers, the substantial elimination of import protections that protect domestic apparel producers such as American Apparel could materially adversely affect our business.

Because American Apparel utilizes foreign suppliers and sells into foreign markets, we will be subject to numerous risks associated with international business that could increase our costs or disrupt the supply of its products, resulting in a negative impact on our business and financial condition.

American Apparel s international operations subject it to risks, including:

- economic and political instability,
- restrictive actions by foreign governments,
- greater difficulty enforcing intellectual property rights and weaker laws protecting intellectual property rights,
- changes in import duties or import or export restrictions,
- fluctuations in currency exchange rates, which could negatively affect profit margins,
- timely shipping of product and unloading of product through West Coast ports, as well as timely truck delivery to American Apparel s warehouses,
- complications complying with the laws and policies of the United States affecting the importation of goods, including duties, quotas, and taxes, and
- complications in complying with trade and foreign tax laws.

Any of these events or circumstances could disrupt the supply of our products or increase our expenses.

Litigation exposure could exceed expectations and have a material adverse effect on our financial condition and results of operations.

American Apparel is subject to regulatory inquiries, claims and suits that arise in the ordinary course of business and is currently involved in litigation incidental to the conduct of its business, including inquiries and civil actions arising from employment matters. American Apparel s management believes these matters are generally without merit, but there can be no assurance that we would not incur substantial costs to defend them or substantial liability in the event one or more of these matters are decided against us. We are unable to assess the specific maximum potential financial exposure that could result from these matters. Our estimates of the viability of these claims or the financial exposure in which they could result could change from time to time as the matters proceed through their course, as facts are established and various judicial determinations are made. Should management s current evaluation that currently pending matters are without merit prove incorrect, we could have material financial exposure, which would have a material adverse effect upon our financial condition and results of operations.

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The process of upgrading American Apparel s information technology infrastructure may disrupt our operations.

American Apparel has performed an evaluation of its information technology systems and requirements and is in the beginning stages of implementing upgrades to its information technology systems supporting the business. These upgrades will involve replacing legacy systems with successor systems, making changes to legacy systems or acquiring new systems with new functionality. There are inherent risks associated with replacing and changing these systems, including accurately capturing data and system disruptions. We believe that American Apparel is taking appropriate action to mitigate the risks through testing, training and staging implementation, as well as securing appropriate commercial contracts with third-party vendors supplying such replacement technologies. Information technology system disruptions, if not anticipated and appropriately mitigated, could have a material adverse effect on our financial condition and results of operations. Additionally, there is no assurance that a successfully implemented system will produce its intended benefits.

We will have potentially adverse exposure to credit risks on our wholesale sales.

American Apparel is exposed to the risk of financial non-performance by its customers, primarily in its wholesale business. Sales to wholesale customers represented 56% of total sales for the year ended December 31, 2006 and 51% of total sales for the three months ended March 31, 2007. American Apparel s extension of credit involves considerable use of judgment and is based on an evaluation of each customer s financial condition and payment history. American Apparel monitors its credit risk exposure by periodically obtaining credit reports and updated financials on its customers. American Apparel maintains an allowance for doubtful accounts for potential credit losses based upon historical trends and other available information. However, the inability to collect on sales to significant customers or a group of customers could have a material adverse effect on our results of operations.

Our online retail operations will face risks that could have a material adverse effect on its financial condition and results of operations.

Our online retail operations approximately 5% of sales for the year ending December 31, 2007 will be subject to numerous risks that could have a material adverse effect on our operational results. Risks include, but are not limited to, the following:

- a diversion of sales from our retail stores, which may impact comparable store sales figures;
- difficulty in recreating the in-store experience on a web site; and
- risks related to the failure of the systems that operate the web sites and their related support systems, including computer viruses, theft of customer information, telecommunication failures and electronic break-ins and similar disruptions.

We will incur significant increased costs as a result of operating as a public company, our management will be required to devote substantial time to new compliance initiatives and we will be required to remedy deficiencies in American Apparel s internal control over financial reporting identified by its auditors.

While we are a public company, our compliance costs to date have not been substantial in light of our limited operations. American Apparel has never operated as a public company. As a public company with substantial operations, we will incur increased legal, accounting and other expenses. In addition, the Sarbanes-Oxley Act of 2002, as well as new rules subsequently implemented by the SEC and the American Stock Exchange, have imposed various new requirements on public companies, including requiring changes in corporate governance practices. Our management and other personnel will need to devote a substantial amount of time to these compliance initiatives. Moreover, these rules and regulations will increase our legal and financial compliance costs and will make some activities more time-consuming and costly.

In addition, the Sarbanes-Oxley Act requires, among other things, that we report on the effectiveness of our internal control over financial reporting and disclosure controls and procedures. We must perform system and process evaluation and testing of our internal control over financial reporting to allow management and our independent registered public accounting firm to report on the effectiveness of our internal control over financial reporting, as required by Section 404 of the Sarbanes-Oxley Act. After the acquisition, the added complexity and geographical scope of our operations will substantially increase our costs in complying with Section 404. Our testing, or the subsequent testing by our independent registered public accounting firm, may reveal deficiencies in our internal control over financial reporting that are deemed to be material weaknesses. Additionally, American Apparel s auditors have identified certain deficiencies in American Apparel s internal control over financial reporting that will need to be remedied. Our compliance with Section 404 will require that we incur substantial accounting expense and expend significant management time on compliance-related issues current management has. If we are not able to comply with the requirements of Section 404, or if we or our independent registered public accounting firm identifies deficiencies in our internal control over financial reporting that are deemed to be material weaknesses, the market price of our stock could decline and we could be subject to sanctions or investigations by the American Stock Exchange.

American Apparel has significant indebtedness and a failure to generate significant cash flow could render it unable to service such obligations.

As of March 31, 2007, American Apparel had aggregate indebtedness of approximately $117.3 million. American Apparel s ability to service this indebtedness will be dependent on its ability to generate cash from internal operations sufficient to make required payments on such indebtedness. American Apparel s business may not generate sufficient cash flow from operations and future borrowings may not be available to American Apparel under these facilities in an amount sufficient to enable American Apparel to pay this indebtedness and fund operating and liquidity requirements prior to the closing of the acquisition. American Apparel may need to refinance all or a portion of this indebtedness on or before maturity. However, American Apparel may not be able to refinance any of this indebtedness on commercially reasonable terms, or at all.

Endeavor s and American Apparel s financial statements contain a statement indicating that their respective ability to continue as a going concern is dependent on consummation of the acquisition.

As of June 5, 2007, each of Endeavor s and American Apparel s cash and working capital were insufficient to fund their respective operations for the next 12 months. The report of each of their independent registered public accounting firms on their respective financial statements includes an explanatory paragraph stating that their respective ability to continue as a going concern is dependent on the consummation of the acquisition. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

American Apparel is currently in breach of various restrictive covenants under its existing credit and banking facilities, which, if not cured or waived, could lead to a default under such facilities.

American Apparel s senior secured revolving credit facility and secured second lien loan impose significant covenants on American Apparel and its operations. The agreements governing the respective credit facilities require American Apparel to achieve specified financial and operating results and maintain compliance with specified financial ratios and satisfy other financial condition tests. American Apparel s ability to comply with these ratios may be affected by events beyond its control. American Apparel s breach of any of these restrictive covenants or its inability to comply with the required financial ratios could result in a default under the agreements governing these credit facilities. As of March 31, 2007, American Apparel was in breach of various covenants under both of these facilities. While the consummation of the acquisition is conditioned upon a cure or waiver of these breaches, in the case of continued or future repeated breaches, the lenders under the credit facilities may elect to declare all borrowings outstanding, together with all accrued interest and other fees, to be immediately due and payable. If American Apparel is unable to repay outstanding borrowings when due, the lenders under the revolving credit facility will also have the right to proceed against collateral, which includes all of American Apparel s available cash, granted to them to secure the indebtedness. If the indebtedness under the

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senior secured revolving credit facility and the secured second lien loan were to be accelerated, American Apparel cannot assure that its assets would be sufficient to repay in full that indebtedness and other indebtedness of American Apparel.

The market for real estate in desirable retail store locations is competitive, which could hamper our ability to open new stores.

Our ability to obtain real estate to open new stores in desirable locations depends upon the availability of real estate that meets our criteria, which includes, among other items, projected foot traffic, square footage, demographics and whether we are able to negotiate lease terms that meet our operating budget. In addition, we must be able to effectively renew our existing store leases from time to time. Failure to secure real estate in desirable locations on economically beneficial terms or to renew leases on existing store locations on economically beneficial terms could have a material adverse effect on our results of operations.

A number of American Apparel s retail store leases are subject to consents in the event of a change in control.

A number of American Apparel s retail store leases are subject to consents in the event of a change in control. The acquisition may constitute a change in control of American Apparel. Should we be unable to obtain these consents from our lessors, the loss of these retail locations could have a materially adverse impact on our financial condition. See Risks Related to the Acquisition.

Endeavor s outstanding warrants and options may be exercised in the future, which would increase the number of shares eligible for future resale in the public market and result in dilution to Endeavor s stockholders.

Outstanding redeemable warrants to purchase an aggregate of 16,160,745 shares of common stock issued in Endeavor s IPO will become exercisable after the consummation of the acquisition. These will be exercised only if the $6.00 per share exercise price is below the market price of Endeavor s common stock. As of the record date, the last sale price of a share of Endeavor common stock was $, thereby creating incentive for warrant holders to exercise their warrants. Endeavor also has outstanding options to purchase 350,000 shares of its common stock and other warrants to purchase an additional 350,000 shares of its common stock. Immediately following the closing of the acquisition, assuming no conversions and that Mr. Charney affects the Lim Buyout, Endeavor will have 52,168,810 shares outstanding. Giving effect to the foregoing assumptions, as well as the exercise of all of the outstanding warrants and options (and warrants underlying such options), there would be 69,029,555 shares outstanding. This substantial dilution would more than double the number of shares eligible for resale in the public market. Sales of substantial numbers of such shares in the public market could adversely affect the market price of such shares.

There will be a substantial number of shares of Endeavor s common stock available for sale in the future that may increase the volume of common stock available for sale in the open market and may cause a decline in the market price of Endeavor s common stock.

The consideration to be issued in the acquisition to the American Apparel stockholders will include 32,258,065 shares of Endeavor common stock that will be issued at the closing, such shares being subject to downward adjustment based on American Apparel s net debt and/or Mr. Charney s failure to affect the Lim Buyout. These shares are initially not being registered and will be restricted from public sale under the securities laws. All of these shares will be subject to the lock-up agreement and cannot be sold publicly until the expiration of the restricted period under the lock-up agreements and under Rule 144 promulgated under the Securities Act of 1933. The presence of this additional number of shares of common stock eligible for trading in the public market after the lapse of the restrictions may have an adverse effect on the market price of Endeavor s common stock.

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Endeavor s working capital will be reduced if Endeavor stockholders exercise their right to convert their shares into cash. This would reduce Endeavor s cash reserve after the acquisition.

Pursuant to Endeavor s certificate of incorporation, holders of shares issued in Endeavor s IPO may vote against the acquisition and demand that we convert their shares calculated as of two business days prior to the anticipated date of the consummation of the acquisition, into a pro rata share of the trust account where a substantial portion of the net proceeds of the IPO are held. Endeavor and American Apparel will not consummate the acquisition if holders of 3,232,149 or more shares of common stock issued in Endeavor s IPO exercise these conversion rights. To the extent the acquisition is consummated and holders have demanded to so convert their shares, there will be a corresponding reduction in the amount of funds available to the combined company following the acquisition. As of , 2007, the record date, assuming the acquisition proposal is adopted, the maximum amount of funds that could be disbursed to Endeavor s stockholders upon the exercise of their conversion rights is approximately $, or approximately 20% of the funds then held in the trust account. Any payment upon exercise of conversion rights will reduce Endeavor s cash after the acquisition, which may limit Endeavor s ability to implement American Apparel s business plan.

If Endeavor is required to consummate the Lim Buyout instead of Mr. Charney, the cash available to the combined companies for use in operations and expansion would be significantly reduced.

In the event that Endeavor consummates the Lim Buyout instead of Mr. Charney, it will purchase all of Mr. Lim s equity interests in the American Apparel companies for cash in the approximate amount of $62,958,904, assuming a close date of July 30, 2007, and will reduce the number of shares of Endeavor common stock issued to Mr. Charney by approximately 8,123,730. As a result, significantly less money would be available to the combined companies from the trust following consummation of the acquisition for use in the operations of American Apparel, funding American Apparel s growth strategy and reducing American Apparel s debt. This could result in American Apparel reducing its expansion efforts and could diminish American Apparel s ability to replace existing credit facilities or negotiate improved terms thereon.

If Endeavor stockholders fail to vote or abstain from voting on the acquisition proposal, they may not exercise their conversion rights to convert their shares of common stock of Endeavor into a pro rata portion of the trust account as of the record date.

Endeavor stockholders holding shares of Endeavor common stock issued in Endeavor s IPO who affirmatively vote against the acquisition proposal may, at the same time, demand that we convert their shares into a pro rata portion of the trust account, calculated as of two business days prior to the anticipated date of the consummation of the acquisition. Endeavor stockholders who seek to exercise this conversion right must affirmatively vote against the acquisition and tender their shares (either physically or electronically) to Endeavor s transfer agent after the special meeting. Any Endeavor stockholder who fails to vote or who abstains from voting on the acquisition proposal or who fails to tender their shares as required may not exercise his or her conversion rights and will not receive a pro rata portion of the trust account for conversion of his or her shares.

The financial information for American Apparel for 2005 currently contained in this proxy statement is unaudited and may materially differ from the audited financial statements for the same period to be delivered by American Apparel.

The financial information presented in this proxy statement for American Apparel for the year ended December 31, 2005 is unaudited. It is a condition to closing of the acquisition that American Apparel deliver to Endeavor for inclusion in the definitive proxy statement audited financial statements for the year ended December 31, 2005. When delivered, this proxy statement will be amended to include such audited financial statements. The results for and financial condition of American Apparel indicated by these audited financial statements may materially differ from that presented in the unaudited financial statements for 2005 currently included in this proxy statement. Accordingly, you are urged to read, when available, the definitive proxy statement which will contain audited financial statements for American Apparel for the year ended December 31, 2005 before making any voting decision in connection with the special meeting of stockholders.

If we are unable to maintain listing of Endeavor s securities on the American Stock Exchange or any stock exchange, it may be more difficult for Endeavor s stockholders to sell their securities.

Endeavor s units, common stock and warrants are currently traded on the American Stock Exchange. In connection with the acquisition, it is likely that the American Stock Exchange may require Endeavor to file a new initial listing application and meet its initial listing requirements as opposed to its more lenient continued listing requirements. We cannot assure you that Endeavor will be able to meet those initial listing requirements at that time. If the American Stock Exchange delists Endeavor s securities from trading on its exchange, and Endeavor is unable to obtain listing on Nasdaq, Endeavor could face significant material adverse consequences, including:

- a limited availability of market quotations for its securities;
- a limited amount of news and analyst coverage for Endeavor;
- a decreased ability to issue additional securities or obtain additional financing in the future; and
- the foregoing factors could lead to reduced market prices for Endeavor s Common Stock, which could lead to a determination that its common stock is a penny stock, which would require brokers trading in its common stock to adhere to more stringent rules, possibly resulting in a reduced level of trading activity in the secondary trading market for Endeavor s common stock.

Our ability to request indemnification from American Apparel s stockholders for damages arising out of the acquisition is limited to those claims where damages exceed $250,000 and are only indemnifiable to the extent that damages exceed $250,000.

At the closing of the acquisition, 8,064,516 shares of Endeavor common stock to be issued to Mr. Charney will be deposited in escrow as the sole remedy for the obligation of the American Apparel stockholders to indemnify and hold harmless Endeavor for any damages, whether as a result of any third party claim or otherwise, and which arise as a result of or in connection with the breach of representations and warranties and agreements and covenants of American Apparel. Claims for indemnification may only be asserted by Endeavor once the damages exceed $250,000 in the aggregate and are indemnifiable only to the extent that damages exceed $250,000. Accordingly, it is possible that Endeavor will not be entitled to indemnification even if American Apparel is found to have breached its representations and warranties contained in the acquisition agreement if such breach would only result in damages to Endeavor of less than $250,000.

Endeavor s current directors and executive officers own shares of common stock and warrants that will become worthless if the acquisition is not approved. Consequently, they may have a conflict of interest in determining whether particular changes to the terms of the business combination with American Apparel or waivers of conditions are appropriate.

All of Endeavor s officers and directors or their affiliates beneficially own stock in Endeavor, which they purchased prior to Endeavor s IPO. Endeavor s executives and directors and their affiliates are not entitled to receive any of the cash proceeds that may be distributed upon Endeavor s liquidation with respect to shares they acquired prior to Endeavor s IPO. Therefore, if the acquisition is not approved and Endeavor is forced to liquidate, such shares held by such persons will be worthless, as will all of the warrants, and such shares and warrants cannot be sold by them prior to the consummation of the acquisition. In addition, if Endeavor liquidates prior to the consummation of a business combination, Eric Watson and Jonathan Ledecky, Endeavor s chairman of the board and chief executive officer, respectively, will be personally liable to pay the debts and obligations, if any, to vendors and other entities that are owed money by Endeavor for services rendered or products sold to Endeavor, or to any target business, to the extent such creditors bring claims that would otherwise require payment from moneys in the trust account.

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These personal and financial interests of Endeavor s directors and officers may have influenced their decision to approve the business combination with American Apparel . In considering the recommendations of Endeavor s board of directors to vote for the acquisition proposal and other proposals, you should consider these interests. Additionally, the exercise of Endeavor s directors and executive officers discretion in agreeing to changes or waivers in the terms of the business combination may result in a conflict of interest when determining whether such changes to the terms of the business combination or waivers of conditions are appropriate and in Endeavor s stockholders best interest.

Waivers and modifications to the terms of the Acquisition Agreement have been allowed, including with respect to certain financial thresholds that American Apparel was required to meet, which required Endeavor s board to re-evaluate and reaffirm its approval of the transaction. The parties are also discussing changes to certain of the other terms of the Acquisition Agreement. Any changes that may be made to the terms of the acquisition could materially alter the value of the transaction to American Apparel s stockholder, on the one hand, and/or the stockholders of Endeavor, on the other hand, and you should base your decision on how to vote on the proposals on the information contained in the definitive proxy statement.

Under the terms of the Acquisition Agreement, a condition to Endeavor consummating the acquisition was that American Apparel had EBITDA of at least $30 million for the year ended December 31, 2006 after giving effect to up to an aggregate of $5 million of adjustments for deferred rent, legal, litigation and workers compensation expenses. In April 2007, Endeavor agreed to allow certain adjustments above the original $5 million basket to accommodate an approximate $3.5 million inventory obsolescence reserve established in connection with American Apparel s 2006 audit and the acquisition. As a result, Endeavor s board was required to re-evaluate the acquisition based on these modifications and voted to reaffirm its approval of the transaction.

Complex transactions, such as the proposed acquisition, are often subject to modification and the parties are discussing the modification of certain of the terms of the Acquisition Agreement. Any such modifications of the terms of the acquisition, including any changes to closing conditions, modifications to consideration or changes to other material terms could materially alter the value of the transaction to American Apparel s stockholder, Mr. Charney, on the one hand, and/or Endeavor s stockholders, on the other hand. In the event the parties agree to modify the terms of the Acquisition Agreement, those terms will be reflected in the definitive proxy statement. You should base your decision on how to vote on the proposals on the information contained in the definitive proxy statement.

If we are unable to complete the business combination with American Apparel and are forced to dissolve and liquidate, third parties may bring claims against us and as a result, the proceeds held in trust could be reduced and the per share liquidation price received by stockholders could be less than $ per share.

As of , 2007, the record date, Endeavor held $ in the trust account, or approximately $ per share of Endeavor common stock. If we are unable to complete the business combination with American Apparel by December 21, 2007 and are forced to dissolve and liquidate, third parties may bring claims against us. Although we have obtained waiver agreements from the vendors and service providers we have engaged and owe money to, and the prospective target businesses we have negotiated with, whereby such parties have waived any right, title, interest or claim of any kind they may have in or to any monies held in the trust fund, there is no guarantee that they will not seek recourse against the trust fund notwithstanding such agreements. Furthermore, there is no guarantee that a court will uphold the validity of such agreements. Accordingly, the proceeds held in trust could be subject to claims that could take priority over those of Endeavor s public stockholders. Additionally, if we are forced to file a bankruptcy case or an involuntary bankruptcy case is filed against us which is not dismissed, the proceeds held in the trust account could be subject to applicable bankruptcy law, and may be included in Endeavor s bankruptcy estate and subject to the claims of third parties with priority over the claims of Endeavor s stockholders. To the extent any bankruptcy claims deplete the trust account, we cannot assure you we will be able to return to Endeavor s public stockholders at least $ per share.

Completion of the acquisition may be subject to the receipt of consents and approvals from, or the making of filings with, government entities that could delay completion of the acquisition or impose conditions that could have a material adverse effect on the combined company or that could cause abandonment of the acquisition.

The acquisition may be subject to review by the Antitrust Division of the U.S. Department of Justice (Department of Justice) and the U.S. Federal Trade Commission (Federal Trade Commission) under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the HSR Act), and the related rules and regulations that have been issued by the Federal Trade Commission. Under the HSR Act, Endeavor and American Apparel may be required to make pre-merger notification filings and to await the expiration of the statutory waiting period prior to completing the merger. In connection with a review, at the end of an initial 30-day waiting period we could receive a request for additional information regarding the acquisition from either the Department of Justice or the Federal Trade Commission. Such a request would extend the initial waiting period under the statute during which time either the Department of Justice or the Federal Trade Commission is permitted to review a proposed transaction until 30 days after the parties have substantially complied with the request, unless the Department of Justice or the Federal Trade Commission chooses to terminate that period early.

The Department of Justice and the Federal Trade Commission frequently scrutinize the legality under the antitrust laws of transactions such as the merger. At any time before or after the merger, the Department of Justice or the Federal Trade Commission could take any action under the antitrust laws that it either considers necessary or desirable in the public interest, including seeking to enjoin the merger. Private parties as well as state attorneys general and foreign antitrust regulators may also bring legal actions under the antitrust laws under certain circumstances. There is a possibility that such an injunction may be imposed. In addition to the foregoing, we may face similar requirements under the laws of Canada and its provinces. Neither Endeavor nor American Apparel is obligated to complete the acquisition if a waiting period under the HSR Act in connection with the acquisition has not expired or a voluntary agreement exists between either party and the Department of Justice or the Federal Trade Commission pursuant to which the party has agreed not to consummate the acquisition for any period.

If we do not consummate the business combination with American Apparel by December 21, 2007 and are forced to dissolve and liquidate, payments from the trust account to Endeavor s public stockholders may be delayed.

If we do not consummate the business combination with American Apparel by December 21, 2007, we will dissolve and liquidate. We anticipate that, promptly after such date, the following would occur:

- Endeavor s board of directors will convene and adopt a specific plan of dissolution and liquidation, which it will then vote to recommend to Endeavor s stockholders; at such time it will also cause to be prepared a preliminary proxy statement setting out such plan of dissolution and liquidation as well as the board s recommendation of such plan;

- we will promptly file Endeavor s preliminary proxy statement with the Securities and Exchange Commission;

- if the Securities and Exchange Commission does not review the preliminary proxy statement, then, 10 days following the filing of such preliminary proxy statement, we will mail the definitive proxy statement to Endeavor s stockholders, and 10 to 20 days following the mailing of such definitive proxy statement, we will convene a meeting of Endeavor s stockholders, at which they will vote on Endeavor s plan of dissolution and liquidation; and

- if the Securities and Exchange Commission does review the preliminary proxy statement, we currently estimate that we will receive their comments 30 days after the filing of such proxy statement. We would then mail the definite proxy statement to Endeavor s stockholders following the conclusion of

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the comment and review process (the length of which we cannot predict with any certainty, and which may be substantial) and we will convene a meeting of Endeavor s stockholders at which they will vote on Endeavor s plan of dissolution and liquidation.

We expect that all costs associated with the implementation and completion of Endeavor s plan of dissolution and liquidation will be funded by any remaining net assets not held in the trust account, although we cannot assure you that there will be sufficient funds for such purpose. If such funds are insufficient, we anticipate that Endeavor s management will advance us the funds necessary to complete such dissolution and liquidation (currently anticipated to be no more than approximately $50,000) and not seek reimbursements thereof.

We will not liquidate the trust account unless and until Endeavor s stockholders approve Endeavor s plan of dissolution and liquidation. Accordingly, the foregoing procedures may result in substantial delays in Endeavor s liquidation and the distribution to Endeavor s public stockholders of the funds in Endeavor s trust account and any remaining net assets as part of Endeavor s plan of dissolution and liquidation.

Endeavor s stockholders may be held liable for claims by third parties against us to the extent of distributions received by them.

If we are unable to complete the business combination with American Apparel, we will dissolve and liquidate pursuant to Section 275 of the DGCL. Under Sections 280 through 282 of the DGCL, stockholders may be held liable for claims by third parties against a corporation to the extent of distributions received by them in dissolution. Pursuant to Section 280, if the corporation complies with certain procedures intended to ensure that it makes reasonable provisions for all claims against it, including a 60-day notice period during which any third-party claims can be brought against the corporation, a 90-day period during which the corporation may reject any claims brought, and an additional 150-day waiting period before any liquidating distributions are made to stockholders, any liability of a stockholder with respect to a liquidating distribution is limited to the lesser of such stockholder s pro rata share of the claim or the amount distributed to the stockholder, and any liability of stockholder would be barred after the third anniversary of the dissolution. Although we will seek stockholder approval to liquidate the trust account to Endeavor s public stockholders as part of Endeavor s plan of dissolution and liquidation, we will seek to conclude this process as soon as possible and as a result do not intend to comply with those procedures. Because we will not be complying with those procedures, we are required, pursuant to Section 281 of the DGCL, to adopt a plan that will provide for Endeavor s payment, based on facts known to us at such time, of (i) all existing claims, (ii) all pending claims and (iii) all claims that may be potentially brought against us within the subsequent 10 years. Accordingly, we would be required to provide for any creditors known to us at that time or those that we believe could be potentially brought against us within the subsequent 10 years prior to distributing the funds held in the trust to stockholders. We cannot assure you that we will properly assess all claims that may be potentially brought against us. As such, Endeavor s stockholders could potentially be liable for any claims to the extent of distributions received by them in dissolution (but no more) and any liability of Endeavor s stockholders may extend well beyond the third anniversary of such dissolution. Accordingly, we cannot assure you that third parties will not seek to recover from Endeavor s stockholders amounts owed to them by us.

Additionally, if we are forced to file a bankruptcy case or an involuntary bankruptcy case is filed against us that are not dismissed, any distributions received by stockholders in Endeavor s dissolution might be viewed under applicable debtor/creditor or bankruptcy laws as either a preferential transfer or a fraudulent conveyance. As a result, a bankruptcy court could seek to recover all amounts received by Endeavor s stockholders in Endeavor s dissolution. Furthermore, because we intend to distribute the proceeds held in the trust account to Endeavor s public stockholders as soon as possible after Endeavor s dissolution, this may be viewed or interpreted as giving preference to Endeavor s public stockholders over any potential creditors with respect to access to or distributions from Endeavor s assets. Furthermore, Endeavor s board of directors may be viewed as having breached their fiduciary duties to Endeavor s creditors or may have acted in bad faith, and

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thereby exposing itself and Endeavor s company to claims of punitive damages, by paying public stockholders from the trust account prior to addressing the claims of creditors or complying with certain provisions of the DGCL with respect to Endeavor s dissolution and liquidation. We cannot assure you that claims will not be brought against us for these reasons.

Voting control by the combined companies executive officers, directors and other affiliates may limit your ability to influence the outcome of director elections and other matters requiring stockholder approval.

Upon consummation of the acquisition, the persons who are parties to the voting agreement, Mr. Charney and the Endeavor Inside Stockholders, will own approximately 73.6% of Endeavor s voting stock, assuming maximum conversions and that Mr. Charney affects the Lim Buyout. These persons have agreed to vote for each other s designees to Endeavor s board of directors through director elections in 2010. Accordingly, they will be able to control the election of directors and, therefore, Endeavor s policies and direction during the term of the voting agreement. This concentration of ownership and voting agreement could have the effect of delaying or preventing a change in Endeavor s control or discouraging a potential acquirer from attempting to obtain control of us, which in turn could have a material adverse effect on the market price of Endeavor s common stock or prevent Endeavor s stockholders from realizing a premium over the market price for their shares of common stock.

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FORWARD-LOOKING STATEMENTS

We believe that some of the information in this proxy statement constitutes forward-looking statements within the definition of the Private Securities Litigation Reform Act of 1995. However, the safe-harbor provisions of that act do not apply to statements made in this proxy statement. You can identify these statements by forward-looking words such as may, expect, anticipate, contemplate, believe, estimate, and continue or similar words. You should read statements that contain these words carefully because they:

- discuss future expectations;
- contain projections of future results of operations or financial condition; or
- state other forward-looking information.

We believe it is important to communicate Endeavor s expectations to Endeavor s stockholders. However, there may be events in the future that we are not able to predict accurately or over which we have no control. The risk factors and cautionary language discussed in this proxy statement provide examples of risks, uncertainties and events that may cause actual results to differ materially from the expectations described by us or American Apparel in such forward-looking statements. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this proxy statement.

All forward-looking statements included herein attributable to any of Endeavor, American Apparel or any person acting on either party s behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. Except to the extent required by applicable laws and regulations, Endeavor and American Apparel undertake no obligations to update these forward-looking statements to reflect events or circumstances after the date of this proxy statement or to reflect the occurrence of unanticipated events.

Before you grant your proxy or instruct how your vote should be cast or vote on the adoption of the proposals, you should be aware that the occurrence of the events described in the Risk Factors section and elsewhere in this proxy statement could have a material adverse effect on Endeavor and American Apparel.

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SPECIAL MEETING OF ENDEAVOR STOCKHOLDERS

General

We are furnishing this proxy statement to Endeavor stockholders as part of the solicitation of proxies by Endeavor s board of directors for use at the special meeting of Endeavor stockholders to be held on , 2007, and at any adjournment or postponement thereof. This proxy statement is first being furnished to Endeavor s stockholders on or about , 2007 in connection with the vote on the acquisition proposal, the certificate of incorporation amendments and performance equity plan proposal. This document provides you with the information you need to know to be able to vote or instruct your vote to be cast at the special meeting.

Date, Time and Place

The special meeting of stockholders will be held on , 2007, at 10:00 a.m., eastern time, at the offices of Graubard Miller, Endeavor s general counsel, at The Chrysler Building, 405 Lexington Avenue, 19th Floor, New York, New York 10174.

Purpose of the Endeavor Special Meeting

At the special meeting, we are asking holders of Endeavor common stock to:

- approve and adopt the Acquisition Agreement and the transactions contemplated thereby (acquisition proposal);
- approve an amendment to Endeavor s certificate of incorporation to change Endeavor s name from Endeavor Acquisition Corp. to American Apparel, Inc. (name change amendment proposal);
- approve an amendment to Endeavor s certificate of incorporation to increase the number of authorized shares of Endeavor s common stock from 75,000,000 to 120,000,000 (capitalization amendment proposal);
- approve an amendment to Endeavor s certificate of incorporation to remove the preamble and sections A through D, inclusive, of Article Sixth from the certificate of incorporation from and after the closing of the acquisition, as these provisions will no longer be applicable to us, and to redesignate section E of Article Sixth, which relates to the staggered board, as Article Sixth (Article Sixth amendment proposal);
- approve the adoption of the 2007 performance equity plan (performance equity plan proposal) under which 2,710,000 shares shall be reserved for issuance for options and other awards that may be granted thereunder; and
- approve a proposal to adjourn the special meeting to a later date or dates, if necessary, to permit further solicitation of proxies if, based upon the tabulated vote at the time of the special meeting, Endeavor is not authorized to consummate the acquisition (adjournment proposal).

Recommendation of Endeavor Board of Directors

Endeavor s board of directors:

- has unanimously determined that the acquisition proposal and each of the other proposals are advisable and in the best interests of Endeavor and its stockholders;

has unanimously approved the acquisition proposal and each of the name change amendment, the capitalization amendment, the Article Sixth amendment, the performance equity plan and adjournment proposals;

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unanimously recommends that Endeavor s common stockholders vote FOR the acquisition proposal;

unanimously recommends that Endeavor s common stockholders vote FOR the name change amendment proposal;

unanimously recommends that Endeavor s common stockholders vote FOR the capitalization amendment proposal;

unanimously recommends that Endeavor s common stockholders vote FOR the Article Sixth amendment proposal;

unanimously recommends that Endeavor s common stockholders vote FOR the proposal to approve the performance equity plan; and

if necessary, unanimously recommends that Endeavor s common stockholders vote FOR the adjournment proposal.

Record Date; Who is Entitled to Vote

We have fixed the close of business on , 2007, as the record date for determining the Endeavor stockholders entitled to notice of and to attend and vote at the special meeting. As of the close of business on , there were 19,910,745 shares of Endeavor s common stock outstanding and entitled to vote. Each share of Endeavor s common stock is entitled to one vote per share at the special meeting.

Pursuant to agreements with us, the 3,750,000 shares of Endeavor s common stock held by the Endeavor Inside Stockholders will be voted on the acquisition proposal in accordance with the majority of the votes cast at the special meeting.

Quorum

The presence, in person or by proxy, of a majority of all the outstanding shares of common stock constitutes a quorum at the special meeting. Abstentions and broker non-votes will count as present for purposes of establishing a quorum.

Abstentions and Broker Non-Votes

If you do not give your broker voting instructions, under the rules of the NASD, your broker may not vote your shares on the acquisition proposal, or any of the name change amendment, capitalization amendment, Article Sixth amendment, performance equity plan, or adjournment proposals. Since a stockholder must affirmatively vote against the acquisition proposal to have conversion rights, individuals who fail to vote or who abstain from voting may not exercise their conversion rights. Beneficial holders of shares held in street name that are voted against the acquisition may exercise their conversion rights, provided that, prior to the meeting, they have their shares certificated and deliver the certificates to Endeavor s transfer agent. See the information set forth in *Special Meeting of Endeavor Stockholders Conversion Rights.*

Vote of Endeavor s Stockholders Required

The approval of the acquisition proposal will require the affirmative vote of the holders of a majority of the shares of Endeavor common stock sold in the IPO present in person or represented by proxy and entitled to vote at the special meeting. Abstentions will have the same effect as a vote AGAINST the acquisition proposal and broker non-votes, while considered present for the purpose of establishing a quorum, will have no effect on the acquisition proposal. You cannot seek conversion unless you affirmatively vote against the acquisition proposal.

The name change amendment, the capitalization amendment and the Article Sixth amendment proposals will require the affirmative vote of the holders of a majority of Endeavor common stock outstanding on the record date. Because each of these proposals to amend Endeavor s charter requires the affirmative vote of a majority of the shares of common stock outstanding, abstentions and shares not entitled to vote because of a broker non-vote will have the same effect as a vote against these proposals. In order to consummate the acquisition, each of the name change amendment and the capitalization amendment proposals must be approved by the stockholders. For both of the name change amendment and the capitalization amendment to be implemented, the acquisition proposal must be approved by the stockholders.

The approval of the performance equity plan and adjournment proposals will require the affirmative vote of the holders of a majority of Endeavor s common stock represented and entitled to vote at the meeting. Abstentions will have the same effect as a vote AGAINST the performance equity plan and adjournment proposals and broker non-votes, while considered present for the purpose of establishing a quorum, will have no effect on the performance equity plan or adjournment proposals.

Endeavor s initial stockholders who purchased their shares of common stock prior to Endeavor s IPO, and which include all of Endeavor s directors and executive officers and their affiliates and are referred to collectively in this proxy statement as the Endeavor Inside Stockholders, currently own an aggregate of approximately 18.8% of the outstanding shares of Endeavor common stock. Each of the Endeavor Inside Stockholders has agreed to vote all of the shares they purchased prior to the IPO on the acquisition proposal in accordance with the vote of the majority of the votes cast by the holders of shares issued in the IPO. Accordingly, their vote will have no effect on the outcome of the acquisition proposal. The Endeavor Inside Stockholders also have indicated that they intend to vote such shares in favor of all other proposals being presented at the special meeting. The Endeavor Inside Stockholders also have indicated that they intend to vote any shares they acquire after the IPO for all of the proposals. As of the record date, the Endeavor Inside Stockholders have not acquired any additional shares of Endeavor common stock since the IPO.

Voting Your Shares

Each share of Endeavor common stock that you own in your name entitles you to one vote. Your proxy card shows the number of shares of Endeavor s common stock that you own.

There are two ways to vote your shares of Endeavor common stock at the special meeting:

- *You can vote by signing and returning the enclosed proxy card.* If you vote by proxy card, your proxy, whose name is listed on the proxy card, will vote your shares as you instruct on the proxy card. If you sign and return the proxy card but do not give instructions on how to vote your shares, your shares will be voted as recommended by Endeavor s board FOR the adoption of the acquisition proposal, the name change amendment, the capitalization amendment, the Article Sixth amendment and the performance equity plan proposals. Votes received after a matter has been voted upon at the special meeting will not be counted.

- *You can attend the special meeting and vote in person.* We will give you a ballot when you arrive. However, if your shares are held in the name of your broker, bank or another nominee, you must get a proxy from the broker, bank or other nominee. That is the only way we can be sure that the broker, bank or nominee has not already voted your shares.

IF YOU DO NOT VOTE YOUR SHARES OF ENDEAVOR S COMMON STOCK IN ANY OF THE WAYS DESCRIBED ABOVE, IT WILL HAVE THE SAME EFFECT AS A VOTE AGAINST THE ADOPTION OF THE ACQUISITION PROPOSAL, BUT WILL NOT HAVE THE EFFECT OF A DEMAND FOR CONVERSION OF YOUR SHARES INTO A PRO RATA SHARE OF THE TRUST ACCOUNT IN WHICH A SUBSTANTIAL PORTION OF THE PROCEEDS OF ENDEAVOR S IPO ARE HELD.

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Revoking Your Proxy

If you give a proxy, you may revoke it at any time before the vote is taken at the meeting by doing any one of the following:

- you may send another proxy card with a later date;
- you may notify Endeavor (Attention: Martin Dolfi) in writing before the special meeting that you have revoked your proxy; or
- you may attend the special meeting, revoke your proxy, and vote in person, as indicated above.

Who Can Answer Your Questions About Voting Your Shares

If you have any questions about how to vote or direct a vote in respect of your shares of Endeavor s common stock, you may call , Endeavor s proxy solicitor, at ( ) , or Martin Dolfi at Endeavor at (212) 683-5350.

No Additional Matters May Be Presented at the Special Meeting

This special meeting has been called only to consider the adoption of the acquisition proposal, the name change amendment, the capitalization amendment, the Article Sixth amendment and the performance equity plan proposals. Under Endeavor s bylaws, other than procedural matters incident to the conduct of the meeting, no other matters may be considered at the special meeting if they are not included in the notice of the meeting.

Conversion Rights

Any of Endeavor s stockholders holding shares of Endeavor common stock issued in Endeavor s IPO as of the record date who affirmatively votes these shares against the acquisition proposal may also demand that we convert his or her shares into a pro rata portion of the trust account calculated as of two business days prior to the anticipated date of the consummation of the acquisition. Any holders seeking such conversion must affirmatively vote against the acquisition proposal. Abstentions and broker non-votes do not satisfy this requirement. Additionally, holders demanding conversion must deliver their shares (either physically or electronically using Depository Trust Company s DWAC (Deposit Withdrawal at Custodian System) to our transfer agent promptly after the meeting. If you hold the shares in street name, you will have to coordinate with your broker to have your shares certificated or delivered electronically. Shares that have not been tendered (either physically or electronically) in accordance with these procedures will not be converted into cash.

The closing price of Endeavor s common stock on , 2007 (the record date) was $ per share, pro rata cash held in the trust account on the record date was approximately $. Prior to exercising conversion rights, Endeavor s stockholders should verify the market price of Endeavor s common stock as they may receive higher proceeds from the sale of their common stock in the public market than from exercising their conversion rights if the market price per share is higher than the conversion price. We cannot assure Endeavor stockholders that they will be able to sell their shares of Endeavor common stock in the open market, even if the market price per share is higher than the conversion price stated above, as there may not be sufficient liquidity in Endeavor s securities when its stockholders wish to sell their shares.

If the holders of approximately 3,230,149 or more shares of common stock issued in Endeavor s IPO (an amount equal to 20% or more of those shares), vote against the acquisition and properly demand conversion of their shares, we will not be able to consummate the acquisition.

If you exercise your conversion rights, then you will be exchanging your shares of our common stock for cash and will no longer own those shares. You will be entitled to receive cash for these shares only if you affirmatively vote against the acquisition proposal, properly demand conversion, and deliver your shares (either physically or electronically) to our transfer agent promptly after the meeting.

Appraisal Rights

Stockholders of Endeavor do not have appraisal rights in connection the acquisition under the DGCL.

Proxy Solicitation Costs

We are soliciting proxies on behalf of Endeavor s board of directors. This solicitation is being made by mail but also may be made by telephone or in person. We and our directors and officers may also solicit proxies in person, by telephone or by facsimile or email.

We have hired to assist in the proxy solicitation process. We will pay a fee of approximately $ plus reasonable out-of pocket charges and a flat fee of $ per outbound proxy solicitation call. Such fee will be paid with non-trust account funds.

We will ask banks, brokers and other institutions, nominees and fiduciaries to forward its proxy materials to their principals and to obtain their authority to execute proxies and voting instructions. We will reimburse them for their reasonable expenses.

Endeavor Inside Stockholders

At the close of business on the record date, the Endeavor Inside Stockholders beneficially owned and were entitled to vote 3,750,000 shares or approximately 18.8% of the then outstanding shares of Endeavor s common stock, which includes all of the shares held by Endeavor s directors and executive officers and their affiliates. Among the Endeavor Inside Stockholders is Eric Watson, Endeavor s current chairman of the board, and Jonathan Ledecky, Endeavor s current chief executive officer. All of the Endeavor Inside Stockholders have agreed to vote their shares on the acquisition proposal in accordance with the majority of the votes cast by the holders of shares issued in Endeavor s IPO. The Endeavor Inside Stockholders also have indicated that they intend to vote their Original Shares in favor of all other proposals being presented at the meeting. These Endeavor Inside Stockholders have also indicated they intend to vote any shares they acquired after the IPO for all of the proposals. As of the record date, the Endeavor Inside Stockholders have not acquired any additional shares of Endeavor common stock since the IPO. All of the Endeavor Inside Stockholders also agreed, in connection with the IPO, to place their shares in escrow until December 15, 2008.

THE ACQUISITION PROPOSAL

The discussion in this document of the acquisition and the principal terms of the Acquisition Agreement by and among Endeavor, Merger Sub, each of the American Apparel companies, and the American Apparel stockholders is subject to, and is qualified in its entirety by reference to, the Acquisition Agreement. A copy of the Acquisition Agreement is attached as *Annex A* to this proxy statement.

General Description of the Acquisition

The Acquisition Agreement provides for a business combination transaction in which:

- American Apparel will merge into the Merger Sub, with Merger Sub surviving the merger as a wholly owned subsidiary of Endeavor and Endeavor changing its name to American Apparel, Inc. ;

- Endeavor or a wholly-owned subsidiary of Endeavor (the Canadian Newco) will acquire all of the outstanding capital stock of each of the CI companies, and each such company will become a wholly-owned subsidiary of Endeavor; and

- Merger Sub will be renamed American Apparel (USA), Inc. after completion of the acquisition.

In return for all of the capital stock in each of the American Apparel companies, Mr. Charney will receive from Endeavor up to an aggregate of 32,258,065 shares of Endeavor common stock, subject to adjustment, including in circumstances where American Apparel s net debt at the close of business on the date two business days prior to the closing of the acquisition is more than $110,000,000 and/or if Mr. Charney fails to consummated the Lim Buyout. Following the consummation of the acquisition, Endeavor will pay an aggregate of $2.5 million of cash bonuses to existing American Apparel employees. See the section entitled *The Acquisition Agreement Acquisition Consideration.*

As a result of the acquisition, and assuming that there is no adjustment to the number of shares issued based on American Apparel s net debt and that:

- no Endeavor stockholder demands that Endeavor convert its shares to cash as permitted by Endeavor s certificate of incorporation, and that the Lim Buyout is consummated by Mr. Charney, Mr. Charney will own approximately 61.8% of the outstanding Endeavor common stock and the current stockholders of Endeavor will own approximately 38.2% of the outstanding Endeavor common stock immediately after the closing of the acquisition;

- assuming 19.99% of the common stock issued in Endeavor s initial public offering votes against the acquisition and such stock is converted into cash, and the Lim Buyout is consummated by Mr. Charney, Mr. Charney will own approximately 65.9% of the outstanding Endeavor common stock and the current stockholders of Endeavor will own approximately 34.1% of the outstanding common stock of Endeavor immediately following the closing;

- assuming none of the Endeavor common stock is converted into cash and Endeavor consummates the Lim Buyout instead of Mr. Charney (at an assumed price of $62,958,904 as of July 30, 2007), Mr. Charney will own approximately 54.8% of the outstanding Endeavor common stock and the current stockholders of Endeavor will own approximately 45.2% of the outstanding common stock of Endeavor immediately following the closing.

- assuming 19.99% of the outstanding Endeavor common stock votes against the acquisition and such stock is converted into cash, and Endeavor consummates the Lim Buyout instead of Mr. Charney (at an assumed price of $62,958,904 as of July 30, 2007), Mr. Charney will own approximately 59.1% of the outstanding Endeavor common stock and the current stockholders of Endeavor will own approximately 40.9% of the outstanding common stock of Endeavor immediately following the closing.

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Background of the Acquisition

The terms of the Acquisition Agreement are the result of arm s-length negotiations between representatives of Endeavor and American Apparel. The following is a discussion of the background of these negotiations, the Acquisition Agreement and related transactions.

Endeavor was formed on July 22, 2005 to effect an acquisition, capital stock exchange, asset acquisition or other similar business combination with an operating business. Endeavor completed its IPO on December 21, 2005, raising gross proceeds, including proceeds from the exercise of the underwriters over-allotment option, of approximately $129,285,959. Of these proceeds, approximately $121,030,234 were placed in a trust account immediately following the IPO and, in accordance with Endeavor s certificate of incorporation, will be released either upon the consummation of a business combination or upon the liquidation of Endeavor. As of March 31, 2007, the trust account had $126,145,536 contained therein. Endeavor must liquidate unless it has consummated a business combination by December 21, 2007. As of 2007, the record date, approximately $ was held in deposit in the trust account.

Promptly following Endeavor s IPO, Endeavor contacted several investment banks, including Jefferies, private equity firms, consulting firms, legal and accounting firms and numerous business associates. Through these efforts, Endeavor identified and reviewed information with respect to more than 100 acquisition opportunities based on the acquisition criteria disclosed in the IPO prospectus that Endeavor developed during the process of completing its IPO. Among these opportunities, Endeavor focused on companies that had the best combination of the following characteristics:

- demonstrated revenue generation,
- compelling growth prospects,
- attractive profit margins (current or potential),
- talented management with an interest in continuing at the company,
- reasonable valuation expectations,
- the ability to deploy capital productively,
- a willingness to operate as a publicly-traded company, and
- an understanding and acceptance of Endeavor s structure, acquisition process and timing.

As discussed below, Endeavor entered into discussions with several companies that it believed met most or all of the foregoing criteria. It exchanged information with these companies, including business plans and financial information and held bilateral management presentations. Although Endeavor investigated these opportunities in varying depth, none resulted in the execution of any preliminary letter of intent or memorandum of understanding. Endeavor declined to move forward on some opportunities because it did not believe the financial characteristics, business dynamics, management teams, attainable valuations and/or deal structures were suitable. There were also companies that were not interested in pursuing a deal with Endeavor based on its publicly-traded status, capital structure or ability to close with sufficient certainty or speed or which decided to accept competitive bids from other acquirers.

On January 13, 2006, Mr. Ledecky, Endeavor s chief executive officer, met with representatives of an investment banking firm that had no prior relationship with Endeavor to discuss potential transactions that might be available to Endeavor. The investment bankers noted that their company had a relationship with a private equity firm that owned a branded restaurant chain with franchising operations that was headquartered in Los Angeles, California. In February 2006, a preliminary meeting between representatives of Endeavor and this potential target company were schedule for March 2006. On March 11, 2006, Mr. Ledecky met with a representative of the target business in Washington D.C. to discuss a potential transaction and how the target company might be able to grow its operations post-acquisition. In May and June 2006, additional meetings were held among principals of Endeavor, including Mr. Ledecky, principals of the potential target company and principals of the private equity firm that owned such company and information was exchanged between the participants. These meetings resulted in an initial valuation of the target company being set at $125 million. The private equity firm thereafter arranged for Mr. Ledecky and Mr. Watson, Endeavor s chairman of the board, to visit the target company s headquarters in California and conduct due diligence meetings. These meetings occurred on July 2, 3 and 4, 2006. As the process continued, Endeavor was advised by the private equity firm that owned the target company that another private investment firm had made an offer on the target business for cash with a proposed immediate closing. Discussions between Endeavor and this target company were terminated.

On March 14, 2006, Mr. Ledecky met with representatives from the same investment banking firm it met with on January 13, 2006, to discuss additional potential transactions that may be available to Endeavor. The investment bankers noted that a well-known national chain of weight loss centers headquartered in California was for sale by its private equity owners. It was further noted that another investment bank was handling the sale on behalf of the owners and that a formal process for such sale had commenced. This formal process included an existing offering memorandum and the need for any potential bidder to make a qualifying bid to pursue due diligence. At the March 14, 2006 meeting, Mr. Ledecky instructed the investment bank with whom he was meeting to contact the investment bank representing the target company owners to obtain an offering memorandum and to commence structuring a bid to qualify for further due diligence. The preliminary bid communicated to the target company group was in the $600-$650 million range and Endeavor was allowed to proceed with further due diligence. On April 24, 2006, Messrs Ledecky and Watson met with the entire senior management team of the target company and representatives of the target company s investment bank. Endeavor received a full presentation by senior management and conducted extensive on-site due diligence along with representatives from a large institutional hedge fund willing to co-invest with Endeavor. Mr. Ledecky then held several telephonic meetings with members of the target company s management team during May 2007. On June 19, 2006, the target company announced that it had agreed to be acquired by one of the leading global conglomerates in the food industry for $600 million.

On July 17, 2006, Mr. Ledecky met with representatives of another investment banking firm that had no prior relationship with Endeavor to discuss potential transactions that might be available to Endeavor. The investment bankers noted they had as a client that is a restaurant chain headquartered in California that had strong regional brand recognition on the West Coast. On August 14, 2006, Mr. Ledecky conducted initial due diligence on the target company and its brand, which included visits to several of the target company s California locations. On September 9, 2006, Mr. Ledecky met in Dallas, Texas with a representative of the investment bank that had identified the target company to Endeavor and a member of the board of directors of the target company to discuss Endeavor and its structure and information related to Endeavor s continuing due diligence process. On September 26, 27 and 28, 2006, meeting were held in the target company s California headquarters between the target company s entire senior management, Messrs. Ledecky and Watson and representatives of the investment bank . Endeavor proposed the basic terms of a proposed transaction, including an initial valuation of the target company of between $150 million and $200 million. The meetings were adjourned and it was agreed that the target company would consider the proposal. On October 10, 2006, Endeavor was notified by the target company s investment bankers that the target company did not believe it was well-positioned to make the transition from a private company to a public company. Discussions were then terminated.

On July 18, 2006, Mr. Ledecky met in New York with principal shareholders of a regional ethanol producer headquartered in the Midwestern United States and representatives of the investment banking firm representing the target company. In July 2006, Mr. Edward Mathias, a member of the board of directors of Endeavor, held an additional meeting with one of the principal shareholders of the target company. On July 27, 2006, an additional meeting was in New York among principals of Endeavor, including Mr. Ledecky, a principal shareholder of the target company and members of management of the target company. During the following two weeks, due diligence and valuation discussions were held and a proposed purchase price for the target company in the $150-200 million range was discussed. On August 8, 2006, a meeting was held in New York with a principal shareholder of the target company and representatives of certain investment banks that Endeavor had worked with in connection with other potential targets. The principal shareholder indicated that a purchase price in the $200-250 million range would be necessary to buy the target company. Endeavor, in consultation with the investment bankers determined that this price was not in the best interests of Endeavor. Discussions with the target company were then terminated.

In July 2006, Mr. Ledecky met with Endeavor consultant Mr. Martin Dolfi to discuss deal flow. He discussed with Mr. Dolfi the philosophy espoused by Mr. Peter Lynch to invest in what you know. Mr. Ledecky then asked for examples of products that Mr. Dolfi used and enjoyed. Mr. Dolfi indicated that he enjoyed the clothing sold at American Apparel. As a way to reinforce the discussion, Mr. Ledecky instructed Mr. Dolfi to research the American Apparel company. Mr. Dolfi returned in August 2006 with a research book presentation on American Apparel. Mr. Ledecky then instructed Mr. Dolfi to determine whether American Apparel had a business development officer. Mr. Dolfi reached Mr. Adrian Kowalewski of American Apparel and on September 26, 2006 a meeting among Messrs. Watson, Ledecky and Kowalewski took place at American Apparel s Los Angeles headquarters. Mr. Kowalewski gave Messrs. Watson and Ledecky a tour of the facilities and answered preliminary questions.

In early October 2006, Mr. Watson was contacted by a private equity owner of a leading fashion accessory company. Endeavor had an initial exchange of information with the target company, and during October 2006, held several telephonic meetings with representatives of the target company. On October 20, 2006, Endeavor made an initial bid for the target company of approximately 175 million British Pounds Sterling. However, in early November 2006, Endeavor was advised that the target company had elected to accept a bid from another party.

On a regular basis throughout October 2006, Messrs. Dolfi and Kowalewski held discussions and exchanged information about American Apparel. Valuation discussions of a general nature took place as the two companies exchanged information.

On October 25, 2006, Mr. Ledecky received a call from Mr. Charney, American Apparel s chief executive officer and founder. During this conversation, Mr. Ledecky shared information about Endeavor and answered questions regarding Endeavor s philosophy with respect to seeking target companies and for the operations and growth of a target post-acquisition. Messrs. Ledecky and Charney also discussed the structural issues surrounding a blank check company. Mr. Charney then invited Messrs. Ledecky and Watson to visit him the following day in Montreal, Canada.

On October 26, 2006, Messrs. Watson and Ledecky visited Mr. Charney in Montreal, Canada and during this visit reviewed American Apparel s history and operations, as well as its on-line and information technology operations, and toured several of American Apparel s Montreal retail locations. Messrs. Watson, Ledecky and Charney met again over dinner to discuss the companies and their respective backgrounds in greater detail.

From November 13 to November 17, 2006, Mr. Dolfi toured American Apparel s California facilities and retail locations and conducted financial and general due diligence. From November 20 to November 22, 2006, Messrs. Charney and Ledecky met in New York City in a series of meetings to negotiate the general terms of the transaction. These meetings also included tours of American Apparel s various New York City retail stores and operations.

On November 22, 2006, Messrs. Charney and Ledecky, together with Mr. Keith Miller (an advisor to Mr. Charney) and Mr. Michael Rapp of Broadband Capital Management LLC, an underwriter of Endeavor s IPO, met in Mr. Rapp s offices in New York to discuss the potential transaction and to provide Messrs. Miller and Charney with additional information on special purpose acquisition companies (SPACs).

On November 22, 2006, a letter of intent was executed by Endeavor and American Apparel. The terms of the letter of intent provided for (i) the issuance to Mr. Charney of $190 million of Endeavor common stock valued at $7.75 per share (i.e., 24,516,129 shares), (ii) payment of $60 million to Mr. Charney to be used at closing of the acquisition to repurchase all of Mr. Lim s equity interests in American Apparel and the assumption of American Apparel s debt, which was not to exceed $80 million at closing of the acquisition. The number of shares issuable to Mr. Charney was subject to downward adjustment in the event American Apparel s EBITDA for 2006 was less than $40 million or its projected 2007 EBITDA was less than $57 million, in each case as adjusted for deferred rent, litigation and other appropriate items.

On November 23, 2006, Endeavor delivered to American Apparel an extensive due diligence request list. Endeavor began to focus its resources on compiling and reviewing in detail the due diligence materials received from American Apparel. Endeavor provided copies of all diligence information received by Endeavor to its counsel, Graubard Miller, for review and legal due diligence. Additionally, Endeavor instructed Graubard Miller to begin preparation of the first draft of a definitive acquisition agreement consistent with the terms of the letter of intent. Throughout the due diligence process, Endeavor and its counsel had numerous telephone conversations with individuals at American Apparel in order to discuss issues relating to the potential transaction.

During the week of December 4, 2006, a series of all-day meetings were held at American Apparel s headquarters in Los Angeles. The Endeavor due diligence team included Messrs. Ledecky and Dolfi and consultants from Bendon, an apparel company controlled by Mr. Watson. Representatives of Jefferies, which we subsequently retained in connection with rendering a fairness opinion, were also in attendance. During this visit to American Apparel s facilities, Endeavor interviewed more than 30 American Apparel employees across the various departments of American Apparel. Endeavor also held meetings with the audit partner of American Apparel s outside certified public accountant. Endeavor also conducted a series of meetings with consultants hired by American Apparel to interface with its senior lenders and subordinated debt lenders. Endeavor conducted telephonic meetings with all of American Apparel s secured lenders, in each instance, with American Apparel s chief financial officer, Ken Cieply.

Endeavor s due diligence also included numerous calls with Marcum & Kliegman LLP, both with and without representatives from American Apparel on the phone, where American Apparel s financial statements, financial reporting systems and significant accounting policies were discussed. Marcum & Kliegman did not provide any report, opinion or appraisal materially relating to the transaction. Marcum & Kliegman is the independent outside auditor for Endeavor and became the independent outside auditor for American Apparel after the Acquisition Agreement was executed. Marcum & Kliegman maintains separate audit teams for each of Endeavor and American Apparel, which teams are independent of one another.

On numerous occasions through the process, Endeavor s board of directors discussed the terms of the letter of intent and proposed business combination with American Apparel. All of Endeavor s directors received a copy of the letter of intent as well as financial, operational and descriptive information about American Apparel. The directors were continuously updated as to the status of the due diligence and negotiations, and copies of the most recent drafts of the significant transaction documents were delivered to the directors in connection with their consideration of the proposed business combination with American Apparel.

Throughout the period from November 23, 2006 through December 18, 2006 succeeding drafts of the transaction documents were prepared in response to comments and suggestions of the parties and their counsel, with management and counsel for both companies engaging in numerous negotiating sessions. Included in the various transaction documents, in addition to the Acquisition Agreement, were an escrow agreement, voting agreement, lock-up agreements, and an employment agreement for Mr. Charney.

Representatives of Endeavor met with Mr. Charney at the offices of Graubard Miller numerous times during the period from December 11 through December 18, 2006 in order to resolve open items and to discuss the progress of the transaction. During these discussions, negotiations were conducted to revise the terms of the acquisition. It was agreed that the parties would prefer that the acquisition consideration be solely in the form of stock in order to preserve as much of Endeavor s cash as possible so it would be available to American Apparel after the closing of the business combination to fund American Apparel s operations and growth plans and provide American Apparel with flexibility with respect to its existing credit facilities. It was also agreed by the parties that keeping the acquisition consideration solely in the form of stock would fully align the interests of Mr. Charney with the stockholders of the post-business combination and evidence his belief in the future potential of American Apparel. However, it was also determined that the purchase of Mr. Lim s equity interest in American Apparel could be accomplished only with cash. It was decided that Mr. Charney would be given the opportunity to purchase Mr. Lim s position prior to closing, and if this could not be accomplished, that Endeavor would purchase Mr. Lim for cash as further described in this proxy statement. Increases to American Apparel s indebtedness were noted and it was agreed that if American Apparel s net debt was more than $110,000,000 when acquired by Endeavor, the number of shares of Endeavor common stock to be issued in the acquisition would be lowered as described in this proxy statement. As part of this negotiation, the parties agreed to eliminate a share reduction based on EBITDA, but to have EBITDA targets remain a waiveable condition to consummation of the deal. The draft of the Acquisition Agreement was revised to reflect these modified terms.

On December 18, 2006, a meeting of the board of directors of Endeavor was held. All directors attended, as did, by invitation telephonically, David Alan Miller, Esq., Brian L. Ross, Esq. and Jeffrey M. Gallant. Esq. of Graubard Miller. Prior to the meeting, copies of the most recent drafts of the significant transaction documents, in substantially final form, were delivered to all participants. Messrs. Watson and Ledecky discussed at length with Endeavor s board the different analyses used to determine whether the acquisition consideration to be paid by Endeavor was fair from a financial point of view to Endeavor s stockholders, as well as to determine the fair market value of American Apparel. After considerable review and discussion, the Acquisition Agreement and related documents were unanimously approved, and the board determined to recommend the approval of the acquisition to the stockholders of Endeavor. However, the board specifically conditioned such approval on Endeavor obtaining, prior to soliciting the vote of stockholders on the acquisition, an opinion from an investment bank to the effect that the consideration to be paid by Endeavor pursuant to the Acquisition Agreement is fair, from a financial point of view, to the holders of Endeavor common stock and that the fair market value of American Apparel was at least equal to 80% of Endeavor s net assets.

The Acquisition Agreement was signed on December 18, 2006. Immediately thereafter, Endeavor and American Apparel issued a joint press release announcing the execution of the Acquisition Agreement and discussing the terms of the Acquisition Agreement, and on December 20, 2006, Endeavor filed a Current Report on Form 8-K discussing in greater detail the terms of the Acquisition Agreement and American Apparel s business.

On May 9, 2007, representatives of Jefferies made a presentation to Endeavor s board of directors concerning the financial terms of the acquisition and delivered to the board Jefferies opinion to the effect that, as of that date and based upon and subject to the various considerations and assumptions set forth in its opinion, the consideration of approximately 32.3 million shares of Endeavor common stock to be paid by Endeavor pursuant to the Acquisition Agreement was fair from a financial point of view, to the holders of Endeavor common stock, other than affiliates of Endeavor, and that the fair market value of American Apparel was at least equal to 80% of Endeavor s net assets. For a more detailed description of the Jefferies opinion, see the section entitled *The Acquisition Proposal Opinion of Jefferies & Company, Inc.*

There are no finders fees payable in connection with the acquisition.

Endeavor s Board of Directors Reasons for Approval of the Acquisition

General

The final agreed-upon consideration in the Acquisition Agreement was determined by several factors. Endeavor s board of directors reviewed industry and financial data, including certain valuation analyses and metrics compiled by management, in order to determine that the consideration to be paid by Endeavor in the acquisition was fair and that the acquisition was in the best interests of Endeavor s stockholders.

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In order to enable the board of directors of Endeavor to evaluate the proposed acquisition, Endeavor s management conducted a due diligence review with respect to American Apparel that included:

- a general analysis of American Apparel s industry;
- tours of American Apparel s manufacturing facilities and principal offices in Los Angeles, California;
- on-site visits to various American Apparel retail stores;
- a valuation analysis of American Apparel; and
- reviews of historic financial statements and information and financial projections provided by American Apparel.

The Endeavor board of directors considered a wide variety of factors in connection with its evaluation of the acquisition. In light of the complexity of those factors, the Endeavor board of directors did not consider it practicable to, nor did it attempt to, quantify or otherwise assign relative weights to the specific factors it considered in reaching its decision. In addition, individual members of the Endeavor board may have given different weight to different factors.

The historical financial information and financial projections provided to Endeavor by American Apparel in November and December 2006 included:

- unaudited financial statements for the year ended June 30, 2004 and the six months ended December 31, 2004;
- unaudited financial statements for the year ended December 31, 2005;
- unaudited financial statements for the ten-month period ended October 31, 2006; and
- financial projections for the year ending December 31, 2007.

Initial board approval

As of December 18, 2006, the date on which Endeavor s board of directors first met to vote upon the acquisition of American Apparel, American Apparel had provided Endeavor with estimates that American Apparel s revenues for the year ending December 31, 2006 would be approximately $275 million, a 36.5% increase from revenues of $216 million for the year ended December 31, 2005. As of December 18, 2006, American Apparel had also provided Endeavor with projections that American Apparel s revenues for the year ending December 31, 2007 would be at least $355 million, a 29% increase from the $275 million of revenues then expected for the year ending December 31, 2006. American Apparel had advised that the growth in revenues evidenced by these estimates and projections would be driven by anticipated growth in same store sales and the opening of additional retail locations, as well as increases in online sales. As of December 18, 2006, American Apparel was projecting approximately $30 million of EBITDA for 2006, giving effect to various non-cash and one-time adjustments (of up to $5 million in the aggregate) prescribed by the Acquisition Agreement and $50 million of EBITDA for 2007, subject to similar adjustments. American Apparel had advised Endeavor that the projected increase in EBITDA from 2006 to 2007 would be driven primarily by the projected increase in revenues and improvements in EBITDA margins as selling, general and administrative and research and development expenses were forecast to decrease as a percentage of sales as they were spread across a larger base of revenues.

Based on the foregoing information and procedures, the board of directors of Endeavor unanimously approved the Acquisition Agreement. In considering the acquisition, the Endeavor board of directors gave considerable weight to the following factors:

American Apparel s record of growth and potential for future growth. Endeavor believes that American Apparel has a well-established and growing brand and has in place the core infrastructure for strong business operations that will enable American Apparel to achieve growth both organically and through accretive strategic acquisitions. Endeavor s belief in American Apparel s growth potential is based in part on American Apparel s historical growth rate. American Apparel had experienced a compounded annual growth rate of approximately 62% in revenues from approximately $40 million in 2002 to estimated revenues of $275 million in 2006, while it experienced a compounded annual growth rate of approximately 69% in EBITDA from approximately $4 million to more than $30 million over the same period.

American Apparel s ability to broaden distribution. American Apparel has demonstrated continued organic growth in core US, European and Asian markets, with more than 140 company-owned retail stores worldwide as of December 18, 2006. American Apparel also has demonstrated an ability to expand distribution to additional channels, including though wholesale operations to other apparel providers and online sales to American Apparel customers.

American Apparel is a recognizable brand targeted toward an emerging demographic. The American Apparel brand has received a large amount of coverage in the print and broadcast media, including on television such as The Today Show, Nightline, 60 Minutes, Charlie Rose and Dateline. This brand and the products which are marketed under the brand are targeted toward the young adult market, which is one of the largest emerging market demographics.

The experience of American Apparel s management. An important factor to Endeavor s board of directors in evaluating an acquisition target was whether the target had a management team with specialized knowledge of the markets within which it operates and the ability to lead a company in a rapidly changing environment. Endeavor s board of directors believes that American Apparel s management, and Mr. Charney in particular, have experience and talent in the apparel industry as demonstrated by the background of the members of American Apparel s management and American Apparel s ability to develop new product offerings in fashion basics, as well as new categories.

American Apparel s vertically integrated business model. American Apparel s business model utilizes American Apparel s own manufacturing facilities and exploits the company s U.S. based design and manufacturing operations to provide speed to market, which allows American Apparel to produce product quickly when specific demand is identified and to supervise quality control. This allows American Apparel to focus on year-round styles, minimize risk of producing ahead of demand and maintain the quality production identified with the brand.

Valuation

The board considered the valuation of American Apparel in relation to its growth potential and found it to be attractive when compared to other companies in its industries. The board looked at comparable companies and based on the valuation of these companies, the board calculated the expected initial valuation of American Apparel in the public market. Endeavor presented information regarding certain publicly-traded companies that compete in American Apparel s markets to the board, including the following companies:

Abercrombie & Fitch Co.

American Eagle Outfitters

Bebe Stores

Chico s

Delias

Guess?

H&M

Inditex

J. Crew Group

Urban Outfitters

Zumez

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This analysis revealed that the median valuation of the aforementioned comparable companies was approximately 2.4 times expected 2006 revenues, 13.6 times expected 2006 EBITDA and 11.5 times projected 2007 EBITDA. Based on these multiples, American Apparel would have a value range of between $408 million (based on 2006 EBITDA) and $660 million (based on 2006 revenues). Based on American Apparel s 2007 EBITDA projections available to the board of directors of Endeavor at December 18, 2006, American Apparel had a value of $575 million.

Endeavor s board calculated that the valuation of maximum consideration payable to American Apparel s stockholders amounted to approximately $383.5 million, comprised of:

- $250 million of Endeavor common stock (32,258,065 shares at a price of $7.75 per share on December 18, 2006),
- $110 million of assumed American Apparel indebtedness,
- $21 million of stock awards available for grant to American Apparel employees under the 2007 performance equity plan to be adopted in connection with the acquisition, and
- $2.5 million of cash bonuses to be paid to key American Apparel employees following closing of the acquisition.

The board noted that if Mr. Charney failed to consummate the Lim Buyout, Endeavor would consummate the Lim Buyout by paying Mr. Lim approximately $60 million and reducing the number of shares issued in the acquisition by an amount equal to the cash paid to Mr. Lim divided by $7.75. Accordingly, the total valuation of consideration payable to American Apparel would remain the same.

Since the value of the consideration to be paid by Endeavor in the acquisition would be significantly below the valuation determined from the comparable company analysis, the board determined at its December 18th meeting that the consideration to be paid to American Apparel was fair and that the acquisition was in the best interests of Endeavor s stockholders and approved the acquisition. However, the board specifically conditioned such approval on Endeavor obtaining, prior to soliciting the vote of stockholders on the acquisition, an opinion from an investment bank to the effect that the consideration to be paid by Endeavor pursuant to the Acquisition Agreement is fair, from a financial point of view, to the holders of Endeavor common stock and that the fair market value of American Apparel was at least equal to 80% of Endeavor s net assets.

Important events subsequent to initial board approval

On April 2, 2007, the board of directors of Endeavor met for an update on the acquisition and to be presented with certain revised financial information with respect to American Apparel. The board was advised that American Apparel had approximately $285 million of revenues for the year ended December 31, 2006. At the same time, the board was advised that, as a result of comments received during the audit of its financial statements, management of American Apparel proposed additional write-downs on American Apparel s inventory for 2006 considering the inventory levels. As a result, the board was told that American Apparel was seeking to implement non-cash and additional adjustments to 2006 EBITDA beyond the aggregate $5 million adjustments originally agreed to by Endeavor in the Acquisition Agreement. The board agreed with the rationale presented and voted to allow the additional adjustments. Total adjustments to 2006 EBITDA allowed by Endeavor were approximately $7.6 million and are set forth in *Use of Pro Forma Adjusted EBITDA.* The board was also advised that American Apparel had revised its EBITDA projections for 2007 from $50 million to $40 million as a result of various factors, including its determination to slow down new store openings until such time as it receives the capital infusion it will receive as a result of the acquisition. In this regard, the board voted to allow Endeavor to waive the requirement that American Apparel deliver formal EBITDA projections for 2007 and 2008 prior to closing of the acquisition.

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At the April 2nd meeting, Endeavor s board re-evaluated the acquisition based on American Apparel s actual 2006 revenues of $285 million, the pro forma 2006 EBITDA of $30 million and revised 2007 projected EBITDA of $40 million. The board utilized the same processes and metrics as when it first approved the acquisition on December 18, 2006, including the multiples derived from other publicly traded retail apparel companies 2.4 times expected 2006 revenues, 13.6 times expected 2006 EBITDA and 11.5 times projected 2007 EBITDA. Based on the revised financial information and projections of American Apparel, the board determined that American Apparel would have a value range of between $408 million (based on 2006 EBITDA) and $684 million (based on 2006 revenues). Based on American Apparel s revised 2007 EBITDA projections, American Apparel had a value of $460 million. The board found that the acquisition was still advisable and affirmed its approval of the Acquisition Agreement and the acquisition based on the revised financial information presented to it.

On May 9, 2007, Jefferies delivered to Endeavor s board of directors its opinion based on the same financial information and revised EBITDA and financial projections considered by the board in April 2007 when it affirmed the acquisition. For a more detailed description of the Jefferies opinion, see the section entitled *The Acquisition Proposal Opinion of Jefferies & Company, Inc.*

Other factors considered by Endeavor s board

Endeavor s board also considered other factors in evaluating the acquisition with American Apparel, including the following:

American Apparel s competitive position and market acceptance of its products. American Apparel s reputation in its industry, within its distribution channels and among its end customers was considered by the board to be one of the favorable factors in concluding that its competitive position was strong. As part of its due diligence investigation, Endeavor visited numerous American Apparel retail locations. In addition, Endeavor conducted phone interviews with several of American Apparel s key customers as well as other industry experts. Endeavor reported to the board that feedback from these sources on the company and its products was very strong.

Costs associated with effecting the business combination. The board determined that the costs associated with effecting the acquisition with American Apparel would be of the same order of magnitude as would be encountered with most other business combinations. In addition, it was favorably viewed by the board that all of American Apparel s key employees would stay in place to operate the post- acquisition company and that there would therefore be relatively minimal integration issues following the acquisition.

Potential adverse factors considered. The board evaluated several potential adverse factors in its consideration of the acquisition of American Apparel. These included pending litigation against American Apparel (see *Business of American Apparel Legal Proceedings*) and American Apparel s non-compliance with certain terms of its financing facilities (see *American Apparel s Management Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources*). As part of its due diligence investigation, Endeavor reviewed all of the outstanding and pending litigation against American Apparel, spoke at length to American Apparel s management and attorneys and determined that none of these items were likely to materially impact the company. Several claims were scheduled to be settled in the near-term and the potential damages in the other claims were currently viewed as insignificant relative to the size of American Apparel s business. It also was noted that a condition to consummation of the acquisition is that American Apparel s breaches under the financing facilities be waived. It also was noted that Endeavor believed it could choose to repay or replace these financing facilities after closing without materially impacting its ability to achieve its business and growth plan.

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Satisfaction of 80% Test

It is a requirement that any business acquired by Endeavor have a fair market value equal to at least 80% of Endeavor s net assets at the time of acquisition, which assets shall include the amount in the trust account. Based on the financial analysis of American Apparel generally used to approve the transaction, the Endeavor board of directors determined that this requirement was met. Endeavor estimates that its net assets at the closing of the acquisition will be approximately $ million, after deduction of the costs of the acquisition that may be paid from the funds in the trust account upon closing of the acquisition and assuming that no Endeavor stockholders vote against the acquisition and seek conversion of their Endeavor shares into cash, of which 80% is $ million.

As described above, the board valued American Apparel at approximately $ million based on its comparable company analysis and significant transaction experience. This value substantially exceeds the $ million value required to meet the 80% test. The board noted that it based its calculation on the most conservative projections it had received from American Apparel and used valuation multiples for companies that had significantly less growth potential than American Apparel, and thus it felt comfortable with its decision.

The Endeavor board of directors believes, because of the financial skills and background of several of its members, it was qualified to perform the valuation analysis described above and to conclude that the acquisition of American Apparel met this requirement. The Endeavor board members have a significant number of years of experience in the private equity/venture capital and investment banking industries and have been involved in numerous transactions of a similar nature to the one contemplated between Endeavor and American Apparel. Notwithstanding this, the board specifically conditioned such approval on Endeavor obtaining, prior to soliciting the vote of stockholders on the acquisition, an opinion from an investment bank to the effect that the consideration to be paid by Endeavor pursuant to the Acquisition Agreement is fair, from a financial point of view, to the holders of Endeavor common stock and that the fair market value of American Apparel was at least equal to 80% of Endeavor s net assets.

Use of Pro Forma Adjusted EBITDA

In evaluating American Apparel, Endeavor realized that American Apparel would be required to transition from a private company to a public company upon consummation of the acquisition. Accordingly, Endeavor measures, in part, American Apparel s growth in terms of EBITDA as adjusted for certain mutually agreed upon adjustments, including workers compensation and inventory obsolescence.

Under the terms of the Acquisition Agreement, a condition to Endeavor consummating the acquisition was that American Apparel have EBITDA of at least $30 million for the year ended December 31, 2006 after giving effect to up to an aggregate of $5 million of adjustments for deferred rent, legal, litigation and workers compensation expenses. In April 2007, Endeavor agreed to allow certain adjustments above the original $5 million basket to accommodate an approximate $3.5 million inventory obsolescence reserve established in connection with American Apparel s 2006 audit and the acquisition. Similar adjustments were utilized in connection with calculations of American Apparel s pro forma adjusted EBITDA for the three months ended March 31, 2007. The pro forma adjusted EBITDA calculations, including the specific adjustments made to derive such calculations, are set forth in the tables below.

Q1 2007 Pro Forma Adjusted EBITDA as Compared to Q1 2006 Pro Forma Adjusted EBITDA

American Apparel had growth in EBITDA of approximately 97.8% from EBITDA of approximately $4.6 million in the first three months of 2006 to EBITDA of approximately $9.1 million in the first three months of 2007. Allowing for the non-cash, non-recurring items and one-time adjustments described above and set forth in the tables below, American Apparel had growth in adjusted EBITDA of approximately 63.8% from adjusted EBITDA of approximately $5.8 million in the first three months of 2006 to adjusted EBITDA of approximately $9.5 million in the first three months of 2007.

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2006 Pro Forma Adjusted EBITDA as Compared to 2005 Pro Forma Adjusted EBITDA

American Apparel had growth in EBITDA of approximately 31.9% from EBITDA of approximately $18.5 million in 2005 to EBITDA of approximately $24.4 million in 2006. Allowing for the non-cash, non-recurring items and adjustments described above and set forth in the tables below, American Apparel had growth in pro forma adjusted EBITDA of approximately 33.5% from pro forma adjusted EBITDA of approximately $24.2 million in 2005 to pro forma adjusted EBITDA of approximately $32.3 million in 2006.

Calculation and Reconciliation of American Apparel s Pro Forma Adjusted EBITDA

The following table presents a calculation of American Apparel s pro forma adjusted EBITDA and reconciliation to its net income, the most directly comparable GAAP financial measure, on a historical basis, for the periods presented:

	Three Months Ended March 31,		Year Ended December 31,	
	2007 (unaudited)	2006 (unaudited)	2006 (unaudited)	2005 (unaudited)
Net income (loss)	$ 1,504	$ (518)	$ (1,884)	$ 3,253
Income taxes	660	(19)	1,574	506
Interest expense	3,960	2,620	11,811	6,536
Depreciation and amortization	2,907	2,546	10,899	6,328
Related-party management fee	85		2,045	1,896
EBITDA	$ 9,116	$ 4,629	$ 24,445	$ 18,519
Add-backs in non-cash/non-recurring items:				
Deferred rent	$ 387	542	2,071	3,954
Litigation expense		575	1,120	1,196
Total add-backs	378	1,117	3,191	5,150
Adjusted EBITDA	$ 9,503	$ 5,746	$ 27,636	$ 23,669
Exclusions allowed under terms of acquisition:				
Workers compensation adjustment			$ 550	$
Inventory obsolescence			3,488	600
Business combination expenses not capitalized	45			
Total exclusions	$ 45	$	$ 4,038	$ 600
Adjusted EBITDA with exclusions	$ 9,548	$ 5,746	$ 31,674	$ 24,269
Additional add-backs:				
Legal fees related to abandoned financing attempts	$	$ 4	$ 277	$
Accounting fees related to abandoned financing attempts			138	
Financial consulting fees related to senior debt defaults			287	
Total add-backs	$	$ 4	$ 702	$
Pro Forma Adjusted EBITDA	$ 9,548	$ 5,750	$ 32,376	$ 24,269

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Calculation and Reconciliation of AAI s Pro Forma Adjusted EBITDA

The following table presents a calculation of AAI s pro forma adjusted EBITDA and reconciliation to its net income, the most directly comparable GAAP financial measure, on a historical basis, for the periods presented:

	Three Months Ended March 31, 2007 (unaudited)	Three Months Ended March 31, 2006 (unaudited)	Year Ended December 31, 2006	Year Ended December 31, 2005 (unaudited)
Net income (loss)	$ 1,709	$ (313)	$ (1,624)	$ 3,583
Income taxes	597	(35)	1,335	392
Interest expense	3,674	2,408	10,797	6,006
Depreciation and amortization	2,526	2,213	9,430	5,387
EBITDA	$ 8,506	$ 4,273	$ 19,938	$ 15,368
Add-backs for non-cash/non-recurring items:				
Deferred rent	$ 352	$ 469	$ 1,771	$ 3,508
Litigation expenses			1,120	1,196
Total add-backs	352	469	2,891	4,704
Adjusted EBITDA	$ 8,858	$ 4,742	$ 22,829	$ 20,072
Exclusions allowed under terms of acquisition:				
Workers compensation adjustment	$		$ 550	
Inventory obsolescence			3,484	600
Total exclusions	$	$	$ 4,034	$ 600
Cap	$		$ 5,000	
Less of exclusions or cap	$	$	$ 4,034	$ 600
Pro Forma Adjusted EBITDA	$ 8,858	$ 4,742	$ 31,863	$ 20,672

Calculation and Reconciliation of the CI companies Adjusted Pro Forma EBITDA

The following table presents a calculation of the CI companies pro forma adjusted EBITDA and reconciliation to their net income, the most directly comparable GAAP financial measure, on a historical basis, for the periods presented:

	2007 CDN $ (unaudited)	Three Months Ended March 31, 2007 USD $ (a) (unaudited)	2006 CDN $ (unaudited)	2006 USD $ (a) (unaudited)
Net loss	$ (23)	$ (19)	$ (30)	$ (26)
Income taxes	74	63	19	16
Interest expense	335	286	245	212
Depreciation and amortization	446	381	385	333
Related party management fee	100	85		
EBITDA	$ 932	$ 796	$ 619	$ 535
Add-backs for non-cash/non-recurring items:				

Deferred rent	$ 39	$ 33	$ 65	$ 56
Litigation expenses				
Total add-backs	39	33	65	56
Adjusted EBITDA	$ 972	$ 829	$ 684	$ 591
Exclusions allowed under terms of acquisition:				
Workers compensation adjustment	$	$		
Inventory obsolescence				
Total exclusions	$	$	$	$
Cap	$	$	$	$
Less of exclusions or cap	$	$	$	$
Pro Forma Adjusted EBITDA	$ 972	$ 829	$ 684	$ 591

(a) Canadian dollars presented as of March 31, 2007 and 2006 were converted at an exchange rate of $0.8661 and $0.8568, respectively. Canadian dollars presented for the three months ended March 31, 2007 and 2006 were converted at an exchange rate of $0.8535 and $0.8662, respectively.

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The following table presents a calculation of the CI companies pro forma adjusted EBITDA and reconciliation to their net income, the most directly comparable GAAP financial measure, on a historical basis, for the periods presented:

	Year Ended December 31,			
	2006	**2006**	**2005**	**2005**
	CDN $	**USD $ (a)**	**CDN $ (unaudited)**	**USD $ (a) (unaudited)**
Net loss	$ (89)	$ (77)	$ (7)	$ (6)
Income taxes	271	239	138	114
Interest expense	1,151	1,014	642	530
Depreciation and amortization	1,671	1,473	1,146	941
Related party management fee	2,320	2,045	2,298	1,896
EBITDA	$ 5,324	$ 4,694	$ 4,217	$ 3,475
Add-backs for non-cash/non-recurring items:				
Deferred rent	$ 366	$ 323	$ 328	$ 271
Litigation expenses				
Total add-backs	366	323	328	271
Adjusted EBITDA	$ 5,690	$ 5,016	$ 4,545	$ 3,746
Exclusions allowed under terms of acquisition:				
Workers compensation adjustment	$	$	$	$
Inventory obsolescence				
Total exclusions		$		$
Cap		$		$
Less of exclusions or cap	$	$	$	$
Pro Forma Adjusted EBITDA	$ 5,690	$ 5,016	$ 4,545	$ 3,746

(a) Canadian dollars presented as of December 31, 2006 and 2005 were converted at an exchange rate of $0.8590 and $0.8576, respectively. Canadian dollars presented for the twelve months ended December 31, 2006 and 2005 were converted at an exchange rate of $0.8813 and $0.8103, respectively.

Interests of Endeavor s Directors and Officers in the Acquisition

In considering the recommendation of the board of directors of Endeavor to vote for the proposals to approve the Acquisition Agreement, as well as the certificate of incorporation amendments and the performance equity plan proposals, you should be aware that certain members of the Endeavor board have agreements or arrangements that provide them with interests in the acquisition that differ from, or are in addition to, those of Endeavor stockholders generally. In particular:

if the acquisition is not approved and Endeavor is unable to complete another business combination by December 21, 2007, Endeavor will be required to liquidate. In such event, the 3,750,000 shares of common stock held by Endeavor s officers and directors that were acquired prior to the IPO for an aggregate purchase price of $25,000 will be worthless because Endeavor s initial stockholders are not entitled to receive any liquidation proceeds with respect to such shares. Such shares had an aggregate market value of $ based on the last sale price of $ on the American Stock Exchange on , 2007, the record date.

Through the record date, Endeavor has borrowed an aggregate of $ from Messrs. Watson and Ledecky, Endeavor s current chairman of the board and president, respectively, and their affiliates. These loans are unsecured, non-interest bearing and will be repaid on the earlier of the consummation by Endeavor of a business combination or upon demand by Messrs. Ledecky and Watson; provided, however, that if a business combination is not consummated, Endeavor will be required to repay the loans only to the extent it has sufficient funds available to it outside of the trust account.

If Endeavor liquidates prior to the consummation of a business combination, Messrs. Watson and Ledecky will be personally liable to pay debts and obligations, if any, to vendors and other entities that are owed money by Endeavor for services rendered or products sold to Endeavor, or to any target business, to the extent such creditors bring claims that would otherwise require payment from moneys in the trust account. This arrangement was entered into to ensure that, in the event of liquidation, the trust account is not reduced by claims of creditors.

Recommendation of Endeavor s Board of Directors

After careful consideration, Endeavor s board of directors determined unanimously that each of the acquisition proposal and the name change amendment, the capitalization amendment, the Article Sixth amendment and the performance equity plan proposals are advisable and in the best interests of Endeavor and its stockholders. Endeavor s board of directors has approved and declared advisable the acquisition, the name change amendment, the capitalization amendment, the Article Sixth amendment and the performance equity plan and unanimously recommends that you vote or give instructions to vote FOR each of the proposals to approve the acquisition proposal, the name change amendment, the capitalization amendment, the Article Sixth amendment and the performance equity plan.

The foregoing discussion of the information and factors considered by the Endeavor board of directors is not meant to be exhaustive, but includes the material information and factors considered by the Endeavor board of directors.

Opinion of Jefferies & Company, Inc.

Endeavor s board of directors engaged Jefferies solely to render an opinion in connection with Endeavor s acquisition of American Apparel. On May 9, 2007, Jefferies delivered to Endeavor s board of directors its opinion to the effect that, as of that date and based upon and subject to the various considerations and assumptions set forth in its opinion, (i) the consideration of approximately 32.3 million shares of Endeavor common stock to be paid by Endeavor pursuant to the Acquisition Agreement was fair, from a financial point of view, to the holders of Endeavor common stock, other than affiliates of Endeavor, and (ii) the fair market value of American Apparel was at least equal to 80% of Endeavor s net assets. Jefferies opinion assumed no adjustment to the number of shares to be issued based on American Apparel s net debt.

The full text of Jefferies opinion, which sets forth the assumptions made, matters considered and limitations on the scope of review undertaken by Jefferies in rendering its opinion, is attached to this proxy statement as Annex E. Endeavor encourages stockholders to read Jefferies opinion carefully and in its entirety. Jefferies opinion addresses only the fairness to the holders of Endeavor common stock, from a financial point of view and as of the date of Jefferies opinion, of the consideration of approximately 32.3 million shares of Endeavor common stock to be paid by Endeavor pursuant to the Acquisition Agreement, and whether the fair market value of American Apparel was at least equal to 80% of Endeavor s net assets, and does not address any other aspect of the acquisition. Jefferies opinion does not constitute a recommendation as to how any holder of Endeavor common stock should vote on the acquisition or any matter related thereto.

In connection with its opinion, Jefferies, among other things:

- reviewed the Acquisition Agreement;

- reviewed certain publicly available financial and other information about Endeavor and American Apparel;

- reviewed certain information furnished to it by American Apparel s management, including historical financial information and financial forecasts and analyses relating to the business, operations and prospects of American Apparel, which information included (i) limited forecast information relating to American Apparel s Canadian business, Jefferies having been advised that more detailed financial forecasts for that business were not available, and (ii) certain adjustments to American Apparel s historical consolidated earnings before interest, taxes, depreciation and amortization that were prepared by the management of American Apparel and also agreed to by Endeavor s management;

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- reviewed certain information furnished to it by Endeavor s management relating to Endeavor;
- held discussions with members of senior management of Endeavor and American Apparel concerning the matters described in the three preceding paragraphs;
- reviewed the share trading price history for Endeavor common stock for the period ending December 18, 2006, and considered the implied value of the consideration to be paid pursuant to the Acquisition Agreement based upon the closing price of Endeavor common stock as of that date;
- reviewed the valuation multiples for certain publicly traded companies that Jefferies deemed relevant in lines of business similar to the American Apparel;
- compared the proposed financial terms of the acquisition with the financial terms of certain other transactions that Jefferies deemed relevant;
- reviewed and compared the net asset value of Endeavor to the indicated fair market value of American Apparel; and
- conducted such other financial studies, analyses and investigations as Jefferies deemed appropriate.

In Jefferies review and analysis and in rendering its opinion, Jefferies assumed and relied upon, but did not assume any responsibility to independently investigate or verify, the accuracy and completeness of all financial and other information that was supplied or otherwise made available to it by Endeavor and American Apparel or that was publicly available (including, without limitation, the information described above), or that was otherwise reviewed by it. In its review, Jefferies did not obtain any independent evaluation or appraisal of any of the assets or liabilities of, nor did Jefferies conduct a physical inspection of any of the properties or facilities of, Endeavor or American Apparel, nor was Jefferies furnished with any such evaluations of appraisals or such physical inspections, nor did Jefferies assume any responsibility to obtain any such evaluations or appraisals.

With respect to the financial forecasts provided to and examined by it, Jefferies opinion noted that projecting future results of any company is inherently subject to uncertainty. Endeavor and American Apparel informed Jefferies, however, and Jefferies assumed, that such financial forecasts were reasonably prepared on bases reflecting the best currently available estimates and good faith judgments of the management of American Apparel as to the future financial performance of American Apparel, and Jefferies relied solely upon such financial forecasts prepared by the management of American Apparel. Jefferies expressed no opinion as to American Apparel s financial forecasts or the assumptions on which they are made.

Jefferies opinion was based on economic, monetary, regulatory, market and other conditions existing and which could be evaluated as of the date of its opinion. Jefferies noted, however, that in rendering its opinion it analyzed the implied value of the consideration based upon the closing price of Endeavor common stock as of December 18, 2006, which was the date immediately prior to the date of the public announcement of the acquisition. Jefferies expressly disclaimed any undertaking or obligation to advise any person of any change in any fact or matter affecting Jefferies opinion of which Jefferies became aware after the date of its opinion.

Jefferies made no independent investigation of any legal or accounting matters affecting Endeavor or American Apparel, and Jefferies assumed the correctness in all respects material to Jefferies analysis of all legal and accounting advice given to Endeavor and its board of directors, including, without limitation, advice as to the legal, accounting and tax consequences of the terms of, and transactions contemplated by, the Acquisition Agreement to Endeavor and its stockholders. In addition, Jefferies relied on certain adjustments to American Apparel s historical consolidated cash flow figures that were prepared by the management of American Apparel. Jefferies also assumed that in the course of obtaining the necessary regulatory or third party approvals, consents and releases for the acquisition, no delay, limitation, restriction or condition will be imposed that would have an adverse effect on Endeavor, American Apparel or the contemplated benefits of the acquisition.

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Jefferies opinion was for the use and benefit of Endeavor s board of directors of Endeavor in its consideration of the acquisition, and Jefferies opinion did not address the relative merits of the transactions contemplated by the Acquisition Agreement as compared to any alternative transaction or opportunity that might be available to Endeavor, nor did it address the underlying business decision by Endeavor to engage in the acquisition or the terms of the Acquisition Agreement or the documents referred to therein. Jefferies opinion did not constitute a recommendation as to how any holder of shares of Endeavor common stock should vote on the acquisition or any matter related thereto. In addition, Jefferies was not asked to address, and its opinion did not address, the fairness to, or any other consideration of, the holders of any class of securities, creditors or other constituencies of the acquisition, other than the holders of shares of Endeavor common stock. Jefferies expressed no opinion as to the price at which shares of Endeavor common stock will trade at any time.

In preparing its opinion, Jefferies performed a variety of financial and comparative analyses. The preparation of a fairness opinion is a complex process involving various determinations as to the most appropriate and relevant quantitative and qualitative methods of financial analysis and the applications of those methods to the particular circumstances and, therefore, is not necessarily susceptible to partial analysis or summary description. Jefferies believes that its analyses must be considered as a whole. Considering any portion of Jefferies analyses or the factors considered by Jefferies, without considering all analyses and factors, could create a misleading or incomplete view of the process underlying the conclusion expressed in Jefferies opinion. In addition, Jefferies may have given various analyses more or less weight than other analyses, and may have deemed various assumptions more or less probable than other assumptions, so that the range of valuation resulting from any particular analysis described below should not be taken to be Jefferies view of Endeavor actual value. Accordingly, the conclusions reached by Jefferies are based on all analyses and factors taken as a whole and also on the application of Jefferies own experience and judgment.

In performing its analyses, Jefferies made numerous assumptions with respect to industry performance, general business, economic, monetary, regulatory, market and other conditions and other matters, many of which are beyond Endeavor s and Jefferies control. The analyses performed by Jefferies are not necessarily indicative of actual values or actual future results, which may be significantly more or less favorable than suggested by such analyses. In addition, analyses relating to the per share value of Endeavor common stock do not purport to be appraisals or to reflect the prices at which shares of Endeavor common stock may actually be sold. The analyses performed were prepared solely as part of Jefferies analysis of the fairness, from a financial point of view, of the consideration to be paid by Endeavor pursuant to the acquisition, and were provided to Endeavor s board of directors in connection with the delivery of Jefferies opinion.

The following is a summary of the material financial and comparative analyses performed by Jefferies in connection with Jefferies delivery of its opinion. The financial analyses summarized below include information presented in tabular format. In order to fully understand Jefferies financial analyses, the tables must be read together with the text of each summary. The tables alone do not constitute a complete description of the financial analyses. Considering the data described below without considering the full narrative description of the financial analyses, including the methodologies and assumptions underlying the analyses, could create a misleading or incomplete view of Jefferies financial analyses.

Transaction Overview. Based upon approximately 32.3 million shares of Endeavor common stock to be issued pursuant to the Acquisition Agreement and the closing price of $7.55 per share of Endeavor common stock as of December 18, 2006 (one day prior to announcement of the acquisition), Jefferies noted that the acquisition consideration implied a total equity value of approximately $243.5 million. Assuming $110.0 million of indebtedness and $2.5 million of cash bonus payments to American Apparel s management, Jefferies noted that the acquisition consideration implied a total enterprise value of approximately $356.0 million, which is referred to below as the Implied Consideration Value.

Historical Trading Analysis. Jefferies reviewed the trading history of Endeavor since its IPO on December 15, 2005, including the trading history of its common stock which, on March 6, 2006, began trading separately from the units in which it was originally sold.

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Comparable Public Company Analysis. Using publicly available information, Jefferies reviewed the share price trading history of a group consisting of the following five specialty retailers, which are referred to as the Specialty Retailer Companies , and a group consisting of the following three wholesale apparel manufacturers, which are referred to as the Wholesale Apparel Manufacturer Companies :

Specialty Retailer Companies

- Abercrombie & Fitch Co.;
- Aeropostale, Inc.;
- American Eagle Outfitters, Inc.;
- J. Crew Group, Inc.; and
- Urban Outfitters, Inc.,

Wholesale Apparel Manufacturer Companies

- Delta Apparel, Inc.;
- Gildan Activewear, Inc.; and
- Hanesbrands, Inc.

In its analysis, Jefferies derived multiples for the selected companies as of May 4, 2007, calculated as follows:

- the enterprise value divided by LTM EBITDA, which is referred to as Enterprise Value/LTM EBITDA,
- the enterprise value divided by estimated EBITDA for fiscal year 2007, which is referred to as Enterprise Value/2007E EBITDA, and
- the enterprise value divided by estimated EBITDA for fiscal year 2008, which is referred to as Enterprise Value/2008E EBITDA.

This analysis indicated the following:

Comparable Public Company Multiples

Specialty Retailer Companies

	Low	High	Median	Mean	American Apparel*
Enterprise Value/LTM EBITDA	8.5x	19.1x	9.7x	12.6x	11.5x
Enterprise Value/2007E EBITDA	7.5x	14.6x	8.5x	10.5x	8.9x
Enterprise Value/2008E EBITDA	6.6x	12.9x	7.3x	9.0x	7.2x

* Implied by Implied Consideration Value

Wholesale Apparel Manufacturer Companies

	Low	High	Median	Mean	American Apparel*
Enterprise Value/LTM EBITDA	8.3x	9.2x	8.7x	8.7x	11.5x
Enterprise Value/2007E EBITDA	7.8x	18.6x	8.9x	11.8x	8.9x
Enterprise Value/2008E EBITDA	6.5x	14.0x	8.2x	9.6x	7.2x

* Implied by Implied Consideration Value

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Using a reference range of 12.0x to 14.0x Specialty Retailer Companies 2006 EBITDA and 8.0x to 10.0x Wholesale Apparel Manufacturer Companies 2006 EBITDA, Jefferies determined an implied blended multiple for American Apparel ranging from 11.0x to 13.0x. The implied blended multiple range was calculated from the reference range on a sum-of-the-parts basis based upon approximately 75% of American Apparel s projected EBITDA resulting from its retail business and approximately 25% of its projected EBITDA resulting from its wholesale business. Using financial information provided by American Apparel s management, this analysis indicated a range of implied total enterprise values of approximately $340.4 million to $402.2 million, compared to the Implied Consideration Value of approximately $356.0 million.

Using a reference range of 10.0x to 12.0x Specialty Retailer Companies 2007E EBITDA and 7.5x to 9.5x Wholesale Apparel Manufacturer Companies 2007E EBITDA, Jefferies determined an implied blended multiple for American Apparel ranging from 9.4x to 11.4x. The implied blended multiple range was calculated from the reference range on a sum-of-the-parts basis based upon the mix of American Apparel s projected EBITDA from its retail and wholesale businesses described above. Using financial projections provided by American Apparel s management, this analysis indicated a range of implied total enterprise values of approximately $375.0 million to $455.0 million, compared to the Implied Consideration Value of approximately $356.0 million.

Using a reference range of 8.0x to 10.0x Specialty Retailer Companies 2008E EBITDA and 6.5x to 8.5x Wholesale Apparel Manufacturer Companies 2008E EBITDA, Jefferies determined an implied blended multiple for American Apparel ranging from 7.6x to 9.6x. The implied blended multiple range was calculated from the reference range on a sum-of-the-parts basis based upon the mix of American Apparel s projected EBITDA from its retail and wholesale businesses described above. Using financial projections provided by American Apparel s management, this analysis indicated a range of implied total enterprise values of approximately $375.5 million to $474.0 million, compared to the Implied Consideration Value of approximately $356.0 million.

No company utilized in the comparable company analysis is identical to American Apparel. In evaluating the selected companies, Jefferies made judgments and assumptions with regard to industry performance, general business, economic, market and financial conditions and other matters, many of which are beyond Endeavor s and Jefferies control. Mathematical analysis, such as determining the median, is not in itself a meaningful method of using comparable company data.

Comparable Transaction Analysis. Using publicly available and other information, Jefferies examined the following seven transactions involving specialty apparel retailers announced since 2003 with transaction values greater than $90.0 million and less than $1.1 billion, which are referred to as the Specialty Retailer Transactions. The Specialty Retailer Transactions considered and the month and year each transaction was announced were as follows:

Specialty Retailer Transactions

Target	Acquiror	Month and Year Announced
Fat Face Limited	Bridgepoint Capital Limited	March 2007
ROC Apparel Group, LLC	Iconix Brand Group, Inc.	March 2007
Kate Spade, LLC	Liz Claiborne, Inc.	November 2006
The J. Jill Group, Inc.	The Talbots, Inc.	February 2006
Maurices, Inc.	The Dress Barn, Inc.	November 2004
Barneys New York, Inc.	Jones Apparel Group, Inc.	November 2004
The White House, Inc.	Chico s FAS, Inc.	July 2003

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Using publicly available and other information, Jefferies also examined the following seven transactions involving wholesale apparel manufacturers announced since 2003 with transaction values greater than $90.0 million and less than $1.1 billion, which are referred to as the Wholesale Apparel Manufacturer Transactions. The Wholesale Apparel Manufacturer Transactions considered and the month and year each transaction was announced were as follows:

Wholesale Apparel Manufacturer Transactions

Target	**Acquiror**	**Month and Year Announced**
Cutter & Buck, Inc.	New Wave Group AB	April 2007
Americana International Limited	HgCapital	March 2007
VF Intimates, LP	Fruit of the Loom, Inc.	January 2007
Russell Corp.	Berkshire Hathaway, Inc.	April 2006
Haggar Corp.	Consortium of Buyers led by Infinity Associates	August 2005
Alpha Shirt Holdings, Inc.	Broder Bros., Co.	July 2003
Nautica Enterprises, Inc.	VF Corporation	July 2003

Using publicly available estimates and other information for each of these transactions, Jefferies reviewed the transaction value as a multiple of the target company s LTM EBITDA immediately preceding announcement of the transaction, which is referred to below as Transaction Value/LTM EBITDA.

Specialty Retailer Transactions

	Mean	**Median**	**American Apparel***
Transaction Value/LTM EBITDA	11.3x	11.0x	11.3x

* Implied by Implied Consideration Value

Wholesale Apparel Manufacturer Transactions

	Mean	**Median**	**American Apparel***
Transaction Value/LTM EBITDA	8.5x	8.7x	11.3x

* Implied by Implied Consideration Value

Using a reference range of 10.0x to 12.0x Specialty Retailer Companies 2006 EBITDA and 8.0x to 10.0x Wholesale Apparel Manufacturer Companies 2006 EBITDA, Jefferies determined an implied blended multiple for American Apparel ranging from 9.5x to 11.5x. The implied blended multiple range was calculated from the reference range on a sum-of-the-parts basis based upon the mix of American Apparel s projected EBITDA from its retail and wholesale businesses described above. Using financial information provided by American Apparel s management, this analysis indicated a range of implied total enterprise values of approximately $293.9 million to $355.8 million, compared to the Implied Consideration Value of approximately $356.0 million.

No transaction utilized as a comparison in the comparable transaction analysis is identical to the acquisition. In evaluating the acquisition, Jefferies made numerous judgments and assumptions with regard to industry performance, general business, economic, market, and financial conditions and other matters, many of which are beyond Endeavor s and Jefferies control. Mathematical analysis, such as determining the average or the median, is not in itself a meaningful method of using comparable transaction data.

Discounted Cash Flow Analysis. Jefferies performed a discounted cash flow analysis to estimate the present value of the free cash flows of American Apparel through the fiscal year ending December 31, 2011 using American Apparel management s financial projections, using discount rates ranging from 14.0% to 16.0%, and exit multiples ranging from 8.0x to 9.0x. This analysis indicated a range of implied equity values of approximately $559.4 million to $696.5 million, and a range of implied total enterprise values of approximately $671.9 million to $809.0 million, compared to the Implied Consideration Value of approximately $356.0 million.

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Net Asset Analysis. Jefferies reviewed and estimated Endeavor s net assets based on its stockholders equity as of December 31, 2006 and compared that to American Apparel s indicated range of equity values using each of the methodologies described above. Jefferies noted that the fair market value of American Apparel exceeded 80% of Endeavor s net asset value for each of these analyses.

Jefferies opinion was one of many factors taken into consideration by Endeavor s board of directors in making its determination on the acquisition and should not be considered determinative of the views of Endeavor s board of directors with respect to the acquisition.

Jefferies was selected by Endeavor s board of directors based on Jefferies qualifications, expertise and reputation. Jefferies is an internationally recognized investment banking and advisory firm. Jefferies, as part of its investment banking business, is regularly engaged in the valuation of businesses and securities in connection with mergers and acquisitions, negotiated underwritings, competitive biddings, secondary distributions of listed and unlisted securities, private placements, financial restructurings and other financial services.

Pursuant to an engagement letter between Endeavor and Jefferies dated March 17, 2007, Endeavor agreed to pay Jefferies a fee in the amount of $600,000 for its services. Of this amount, $300,000 was payable upon delivery of Jefferies opinion and the balance is payable upon the earliest to occur of the consummation of the acquisition, abandonment of the acquisition, or termination of the engagement letter. In addition, Endeavor has agreed to reimburse Jefferies for reasonable expenses incurred, including reasonable fees and disbursements of Jefferies legal counsel. Endeavor also has agreed to indemnify Jefferies and certain related parties against liabilities, including liabilities under federal securities laws, arising out of or in connection with the services rendered and to be rendered by it under its engagement.

In the ordinary course of Jefferies business, Jefferies and its affiliates may trade or hold securities of Endeavor and/or its affiliates for Jefferies own account and for the accounts of Jefferies customers and, accordingly, may at any time hold long or short positions in those securities. In addition, Jefferies may seek to, in the future, provide financial advisory and financing services to Endeavor, American Apparel or entities that are affiliated with Endeavor or American Apparel, for which Jefferies would expect to receive compensation.

Material Federal Income Tax Consequences of the Acquisition

The following section is a summary of the opinion of Graubard Miller, counsel to Endeavor, regarding material United States federal income tax consequences of the acquisition to holders of Endeavor common stock. This discussion addresses only those Endeavor security holders that hold their securities as a capital asset within the meaning of Section 1221 of the Internal Revenue Code of 1986, as amended (the Code), and does not address all the United States federal income tax consequences that may be relevant to particular holders in light of their individual circumstances or to holders that are subject to special rules, such as:

- financial institutions;
- investors in pass-through entities;
- tax-exempt organizations;
- dealers in securities or currencies;
- traders in securities that elect to use a mark to market method of accounting;
- persons that hold Endeavor common stock as part of a straddle, hedge, constructive sale or conversion transaction; and
- persons who are not citizens or residents of the United States.

The Graubard Miller opinion is based upon the Code, applicable treasury regulations thereunder, published rulings and court decisions, all as currently in effect as of the date hereof, and all of which are subject to change, possibly with retroactive effect. Tax considerations under state, local and foreign laws, or federal laws other than those pertaining to the income tax, are not addressed.

Neither Endeavor nor American Apparel intends to request any ruling from the Internal Revenue Service as to the United States federal income tax consequences of the acquisition.

It is the opinion of Graubard Miller that the acquisition will qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code and no gain or loss will be recognized by Endeavor or American Apparel as a result of the acquisition. It is also the opinion of Graubard Miller that no gain or loss will be recognized by Endeavor or by the stockholders of Endeavor if their conversion rights are not exercised.

It is also the opinion of Graubard Miller that a stockholder of Endeavor who exercises conversion rights and effects a termination of the stockholder s interest in Endeavor will be required to recognize gain or loss upon the exchange of that stockholder s shares of common stock of Endeavor for cash. Such gain or loss will be measured by the difference between the amount of cash received and the tax basis of that stockholder s shares of Endeavor common stock. This gain or loss will be a capital gain or loss if such shares were held as a capital asset on the date of the acquisition and will be a long-term capital gain or loss if the holding period for the share of Endeavor common stock is more than one year. The tax opinion issued to Endeavor by Graubard Miller, its counsel, is attached to this proxy statement as *Annex H*. Graubard Miller has consented to the use of its opinion in this proxy statement.

This discussion is intended to provide all material United States federal income tax consequences of the acquisition to Endeavor and its stockholders who hold their stock as a capital asset. This discussion is not a complete analysis or description of all potential United States federal tax consequences of the acquisition to other holders who are subject to special rules. It does not address tax consequences that may vary with, or are contingent on, your individual circumstances. In addition, the discussion does not address any non-income tax or any foreign, state or local tax consequences of the acquisition. Accordingly, you are strongly urged to consult with your tax advisor to determine the particular United States federal, state, local or foreign income or other tax consequences to you of the acquisition.

The tax opinion issued to Endeavor by Graubard Miller, its counsel, is attached to this proxy statement as Annex F. Graubard Miller has consented to the use of its opinion in this proxy statement.

Anticipated Accounting Treatment

The acquisition will be accounted for as a reverse merger and recapitalization since the stockholders of American Apparel will own a majority of the outstanding shares of the common stock immediately following the completion of the transaction. American Apparel will be deemed to be the accounting acquirer in the transaction and, consequently, the transaction is treated as a recapitalization of American Apparel. Accordingly, American Apparel s assets, liabilities and results of operations will become the historical financial statements of the registrant, and Endeavor s assets, liabilities and results of operations will be consolidated with AA effective as of the acquisition date. The CI companies will be retroactively consolidated with AAI as they are entities under common control.

Regulatory Matters

The acquisition and the transactions contemplated by the Acquisition Agreement may be subject to approval under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, certain filings with the State of Delaware and equivalent approvals under the federal laws of Canada and its provinces.

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THE ACQUISITION AGREEMENT

The following summary of the material provisions of the Acquisition Agreement is qualified by reference to the complete text of the Acquisition Agreement, a copy of which is attached as *Annex A* to this proxy statement as it may be amended. All stockholders are encouraged to read the Acquisition Agreement in its entirety for a more complete description of the terms and conditions of the acquisition.

General; Structure of Acquisition

On December 18, 2006, Endeavor entered into the Acquisition Agreement with each of the American Apparel companies and all of the stockholders of the American Apparel companies. Merger Sub, a wholly owned subsidiary of Endeavor, formed to effectuate the acquisition is also a party to the Acquisition Agreement. In the acquisition:

- AAI will merge into the Merger Sub, with Merger Sub surviving the merger as a wholly owned subsidiary of Endeavor;
- Endeavor will change its name to American Apparel, Inc. and Merger Sub will change its name to American Apparel (USA), Inc. ; and
- Endeavor or a wholly-owned subsidiary of Endeavor (the Canadian Newco) will acquire all of the outstanding capital stock of each of the CI companies, and each such company will become a wholly-owned subsidiary of Endeavor.

The American Apparel stockholders approved and adopted the Acquisition Agreement, as amended, and the transactions contemplated thereby by virtue of the execution of the Acquisition Agreement. Accordingly, no further action is required to be taken by American Apparel stockholders to approve the acquisition.

Closing and Effective Time of the Acquisition

The closing of the acquisition will take place promptly following the satisfaction of the conditions described below under *The Acquisition Agreement Conditions to the Closing of the Acquisition*, unless Endeavor and American Apparel agree in writing to another time. The acquisition is expected to be consummated promptly after the special meeting of Endeavor s stockholders described in this proxy statement.

After completion of the acquisition:

- the name of Endeavor will be American Apparel, Inc. ;
- the corporate headquarters and principal executive offices of Endeavor will be located at 747 Warehouse Street, Los Angeles, California 90021, which is American Apparel s corporate headquarters; and
- Endeavor and American Apparel will cause the common stock, warrants and units of Endeavor outstanding prior to the acquisition, which are traded on the American Stock Exchange, to continue trading on the American Stock Exchange or to be quoted on either the Nasdaq Global Market or Nasdaq Capital Market. The symbols for our securities will change to new symbols determined by the board of directors and the trading medium that are reasonably representative of the corporate name or business of Endeavor.

Acquisition Consideration

Generally

Pursuant to the Acquisition Agreement, the American Apparel stockholders, in exchange for all of the securities of American Apparel outstanding immediately prior to the Acquisition, will receive from Endeavor an aggregate of 32,258,065 shares of Endeavor common stock, such shares being subject to downward adjustment based on American Apparel s net debt at closing.

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Reduction of Shares Based on Net Debt

If American Apparel s net debt as defined in the Acquisition Agreement at the close of business on the date two business days prior to the closing of the acquisition is more than $110,000,000, the number of shares Mr. Charney will receive will be reduced by that number of shares equal to the quotient derived by dividing (i) the difference between the Closing Date net debt and $110,000,000 by (ii) $7.75 (rounded up to the nearest shares); provided, however, that if Closing Date net debt is equal to or less than $110,000,000, there shall be no reduction. Net debt is defined in the Acquisition Agreement to mean American Apparel s combined indebtedness (*i.e*., all indebtedness for borrowed money and capitalized leases and equivalents and other obligations evidenced by promissory notes or similar instruments, as well as cash overdrafts), less American Apparel s combined cash and cash equivalents (*i.e.,* all short-term money market instruments and treasury bills and similar instruments).

Lim Buyout

Mr. Charney shall purchase all of Mr. Lim s equity interests in the American Apparel companies in the Lim Buyout at or prior to consummation of the acquisition. The purchase price shall be $60 million plus an additional cash price (Additional Purchase Price) equal to (x) $60 million divided by 365, (y) multiplied by 0.20, (z) multiplied by the number of days after May 1, 2007 the Lim Buyout is consummated. The $60 million purchase price plus any Additional Purchase Price is referred to as the Lim Payment Amount. In the event that the Lim Buyout is not consummated by Mr. Charney prior to closing of the acquisition for any reason, Endeavor shall affect the Lim Buyout as part of and conditioned upon the consummation of the acquisition by reducing the number of shares of Endeavor common stock to be issued to Mr. Charney by the number equal to the Lim Payment Amount divided by $7.75 and paying to Mr. Lim the Lim Payment Amount in cash. If the acquisition was consummated on July 30, 2007, and Endeavor was required to affect the Lim Buyout on the same date, the number of shares issued to Mr. Charney, as reduced, would be 24,134,335 and Endeavor would pay Mr. Lim $62,958,904.

Post-Closing ownership of Endeavor common stock

As a result of the acquisition, and assuming that there is no adjustment to the number of shares issued based on American Apparel s net debt and that:

- no Endeavor stockholder demands that Endeavor convert its shares to cash as permitted by Endeavor s certificate of incorporation, and that the Lim Buyout is consummated by Mr. Charney, Mr. Charney will own approximately 61.8% of the outstanding Endeavor common stock and the current stockholders of Endeavor will own approximately 38.2% of the outstanding Endeavor common stock immediately after the closing of the acquisition;

- assuming 19.99% of the common stock issued in Endeavor s initial public offering votes against the acquisition and such stock is converted into cash, and the Lim Buyout is consummated by Mr. Charney, Mr. Charney will own approximately 65.9% of the outstanding Endeavor common stock and the current stockholders of Endeavor will own approximately 34.1% of the outstanding common stock of Endeavor immediately following the closing;

- assuming none of the Endeavor common stock is converted into cash and Endeavor consummates the Lim Buyout instead of Mr. Charney (at an assumed price of $62,958,904 as of July 30, 2007), Mr. Charney will own approximately 54.8% of the outstanding Endeavor common stock and the current stockholders of Endeavor will own approximately 45.2% of the outstanding common stock of Endeavor immediately following the closing.

- assuming 19.99% of the outstanding Endeavor common stock votes against the acquisition and such stock is converted into cash, and Endeavor consummates the Lim Buyout instead of Mr. Charney (at an assumed price of $62,958,904 as of July 30, 2007), Mr. Charney will own approximately 59.1% of the outstanding Endeavor common stock and the current stockholders of Endeavor will own approximately 40.9% of the outstanding common stock of Endeavor immediately following the closing.

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Escrow Agreement

8,064,516 shares of the Endeavor common stock received by the American Apparel stockholders will be placed into escrow to secure the indemnity rights of Endeavor under the Acquisition Agreement. The escrow will be governed by the terms of an escrow agreement, a copy of which is attached to this proxy statement as *Annex F*.

Lock-Up Agreement

Mr. Charney has entered into a lock-up agreement to not sell or otherwise transfer any of the shares of Endeavor common stock received by him in the acquisition until the third anniversary of the closing of the acquisition, subject to certain exceptions, such as transfers to family members who agree to be similarly bound by the terms of the lock-up. The lock-up agreement alleviates any potential dilutive impact of such shares upon the market price of Endeavor common stock during the periods the restrictions apply.

Employment Agreements

A condition to the closing of the acquisition is that Mr. Charney, American Apparel s current chief executive officer, shall enter into an employment agreement with Endeavor and/or American Apparel, effective upon the consummation of the acquisition. The employment agreement is attached to this proxy statement as *Annex I*. For a summary of the employment agreement, see the section entitled *Directors and Executive Officers of Endeavor Following the Acquisition Employment Agreements*. We encourage you to read the employment agreements in their entirety.

It also is a condition to the consummation of the acquisition that the parties identify persons to serve as the chief operating officer, chief financial officer and chief information officer of Endeavor and that these persons enter into reasonably acceptable employment agreements with Endeavor and commence their employment effective as of the closing of the acquisition.

Election of Directors; Voting Agreement

Certain of the Endeavor Inside Stockholders and Mr. Charney, the sole American Apparel principal stockholder who will become a stockholder of Endeavor upon consummation of the acquisition, have entered into a voting agreement. The voting agreement provides that Mr. Charney, on the one hand, and such Endeavor Inside Stockholders, on the other hand, will each designate four directors and mutually designate one additional directors to Endeavor s board. Each of the parties to the voting agreement will vote for such designees as directors of Endeavor until immediately following the election that will be held in 2010. Endeavor will be obligated to provide for its board of directors to be comprised of nine members and to enable the election to the board of directors of the persons designated by the parties to the voting agreement. The voting agreement is attached to this proxy statement as *Annex D*. We encourage you to read the voting agreement in its entirety.

Immediately upon the consummation of the acquisition, the directors of Endeavor will be Mr. Charney , , , and . Under the terms of the voting agreement, Mr. Charney, on the one hand, and the Endeavor Inside Stockholders who are party to the voting agreement, on the other hand, have agreed to vote for the designees to Endeavor s board of directors through the election in 2009 as follows:

in the class to stand for reelection in 2008 .

in the class to stand for reelection in 2009 .

in the class to stand for reelection in 2010 .

Endeavor s directors do not currently receive any cash compensation for their services as members of the board of directors. However, in the future, non-employee directors may receive certain cash fees and stock-based awards as the Endeavor board of directors may determine.

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Registration Rights Agreement

Pursuant to the Acquisition Agreement, Endeavor and Mr. Charney will enter into a registration rights agreement to provide Mr. Charney certain rights relating to the registration of shares of Endeavor common stock that he will receive in connection with the acquisition. Under the registration rights agreement, Mr. Charney is afforded both demand and piggyback registration rights. The registration rights agreement is attached to this proxy statement as *Annex G*. We encourage you to read the registration rights agreement in its entirety.

Representations and Warranties

The Acquisition Agreement contains representations and warranties of each of American Apparel and Endeavor relating, among other things, to:

proper corporate organization and similar corporate matters;

capital structure of each constituent company;

the authorization, performance and enforceability of the Acquisition Agreement;

licenses and permits;

taxes;

financial information and absence of undisclosed liabilities;

holding of leases and ownership of other properties, including intellectual property;

contracts;

title to properties and assets;

environmental matters;

title to and condition of other assets;

absence of certain changes;

employee matters;

- compliance with laws;
- product liability and product recalls;
- litigations; and
- compliance with applicable provisions of securities laws.

Mr. Charney has represented and warranted, among other things, as to his accredited investor status.

Covenants

Endeavor and American Apparel have each agreed to take such actions as are necessary, proper or advisable to consummate the acquisition. Each of them has also agreed, subject to certain exceptions, to continue to operate its respective businesses in the ordinary course prior to the closing and not to take the following actions without the prior written consent of the other party:

- waive any stock repurchase rights, accelerate, amend or (except as specifically provided for in the Acquisition Agreement) change the period of exercisability of options or restricted stock, or reprice options granted under any employee, consultant, director or other stock plans or authorize cash payments in exchange for any options granted under any of such plans;
- grant any severance or termination pay to any officer or employee except pursuant to applicable law, written agreements outstanding, or policies, or adopt any new severance plan, or amend or modify or alter in any manner any severance plan, agreement or arrangement;

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transfer or license to any person or otherwise extend, amend or modify any material rights to any intellectual property of American Apparel or Endeavor, as applicable, or enter into grants to transfer or license to any person future patent rights, other than in the ordinary course of business consistent with past practices provided that in no event will American Apparel or Endeavor license on an exclusive basis or sell any intellectual property of the American Apparel or Endeavor, as applicable;

declare, set aside or pay any dividends on or make any other distributions (whether in cash, stock, equity securities or property) in respect of any capital stock or split, combine or reclassify any capital stock or issue or authorize the issuance of any other securities in respect of, in lieu of or in substitution for any capital stock (other than certain distributions to stockholders of American Apparel, a subchapter S corporation, in connection with income taxes as prescribed by the Acquisition Agreement);

purchase, redeem or otherwise acquire, directly or indirectly, any shares of capital stock of American Apparel and Endeavor, as applicable, including repurchases of unvested shares at cost in connection with the termination of the relationship with any employee or consultant pursuant to stock option or purchase agreements in effect on the date hereof;

issue, deliver, sell, authorize, pledge or otherwise encumber, or agree to any of the foregoing with respect to, any shares of capital stock or any securities convertible into or exchangeable for shares of capital stock, or subscriptions, rights, warrants or options to acquire any shares of capital stock or any securities convertible into or exchangeable for shares of capital stock, or enter into other agreements or commitments of any character obligating it to issue any such shares or convertible or exchangeable securities;

amend its certificate of incorporation or bylaws;

acquire or agree to acquire by merging or consolidating with, or by purchasing any equity interest in or a portion of the assets of, or by any other manner, any business or any corporation, partnership, association or other business organization or division thereof, or otherwise acquire or agree to acquire any assets which are material, individually or in the aggregate, to the business of Endeavor or American Apparel , as applicable, or enter into any joint ventures, strategic partnerships or alliances or other arrangements that provide for exclusivity of territory or otherwise restrict such party s ability to compete or to offer or sell any products or services;

sell, lease, license, encumber or otherwise dispose of any properties or assets, except sales of inventory in the ordinary course of business and the sale, lease or disposition of assets (other than through licensing) of property or assets that are not material to its business;

except for borrowing under American Apparel s existing credit facilities in the ordinary course of business or any new borrowing arrangements entered into by American Apparel for the purpose of operating the business in the ordinary course or replacing currently existing borrowing, in the approximate amount of $15 million with C3 Capital Partners and syndicated lenders, incur any indebtedness for borrowed money in excess of $25,000 in the aggregate or guarantee any such indebtedness of another person, issue or sell any debt securities or options, warrants, calls or other rights to acquire any debt securities of Endeavor or American Apparel, as applicable, enter into any keep well or other agreement to maintain any financial statement condition or enter into any arrangement having the economic effect of any of the foregoing, nor shall American Apparel modify or terminate any of its existing credit facilities;

adopt or amend any employee benefit plan, policy or arrangement, any employee performance equity plan, or enter into any employment contract or collective bargaining agreement (other than offer letters and letter agreements entered into in the ordinary course of business consistent with past practice with employees who are terminable at will), pay any special bonus or special remuneration to any director or employee, or increase the salaries or wage rates or fringe benefits (including rights to severance or indemnification) of its directors, officers, employees or consultants, except in the ordinary course of business consistent with past practices;

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pay, discharge, settle or satisfy any claims, liabilities or obligations (absolute, accrued, asserted or unasserted, contingent or otherwise), or litigation (whether or not commenced prior to the date of the Acquisition Agreement) other than the payment, discharge, settlement or satisfaction, in the ordinary course of business consistent with past practices or in accordance with their terms, or liabilities previously disclosed in financial statements to the other party in connection with the Acquisition Agreement or incurred since the date of such financial statements, or waive the benefits of, agree to modify in any manner, terminate, release any person from or knowingly fail to enforce any confidentiality or similar agreement to which the American Apparel is a party or of which American Apparel is a beneficiary or to which Endeavor is a party or of which Endeavor is a beneficiary, as applicable;

except in the ordinary course of business consistent with past practices, modify, amend or terminate any material contract of American Apparel or Endeavor, as applicable, or waive, delay the exercise of, release or assign any material rights or assign any material rights or claims thereunder;

except as required by applicable U.S. or Canada GAAP, revalue any of its assets or make any change in accounting methods, principles or practices;

except in the ordinary course of business consistent with past practices, incur or enter into any agreement, contract or commitment requiring such party to pay in excess of $250,000 in any 12 month period;

engage in any action that could reasonably be expected to cause the acquisition to fail to qualify as a reorganization under Section 368(a) of the Code;

settle any litigation to which any director, officer of stockholder of such company is a party or, in the case of American Apparel , where the consideration given is other than monetary;

make or rescind any tax elections that, individually or in the aggregate, could be reasonably likely to adversely affect in any material respect the tax liability or tax attributes of such party, settle or compromise any material income tax liability or, except as required by applicable law, materially change any method of accounting for tax purposes or prepare or file any return in a manner inconsistent with past practice;

form, establish or acquire any subsidiary except as contemplated by the Acquisition Agreement;

permit any person to exercise any of its discretionary rights under any plan to provide for the automatic acceleration of any outstanding options, the termination of any outstanding repurchase rights or the termination of any cancellation rights issued pursuant to such plans;

make capital expenditures except in accordance with prudent business and operational practices consistent with prior practice;

make or omit to take any action which would be reasonably anticipated to have a material adverse effect;

enter into any transaction with or distribute or advance any assets or property to any of its officers, directors, partners, stockholders or other affiliates; or agree in writing or otherwise agree, commit or resolve to take any of the foregoing actions.

The Acquisition Agreement also contains additional covenants of the parties, including covenants providing for:

each party to use commercially reasonable efforts to obtain all necessary approvals from stockholders, governmental agencies and other third parties that are required for the consummation of the transactions contemplated by the Acquisition Agreement;

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American Apparel to maintain insurance polices providing insurance coverage for its business and its assets in the amounts and against the risks as are commercially reasonable for the businesses and risks covered;

the protection of confidential information of the parties and, subject to the confidentiality requirements, the provision of reasonable access to information;

Endeavor to prepare and file this proxy statement;

American Apparel to provide audited financial statements for the fiscal years ending December 31, 2006, 2005 and 2004 by specified dates;

American Apparel to provide certain EBITDA projections for 2007 and 2008;

American Apparel s EBITDA for 2006 and projected EBITDA for 2007 and 2008 to meet or exceed certain prescribed levels;

the American Apparel stockholders to release and forever discharge American Apparel and its directors, officers, employees and agents, from any and all rights, claims, demands, judgments, obligations, liabilities and damages arising out of or resulting from such stockholder s status as a holder of an equity interest in American Apparel , and employment, service, consulting or other similar agreement entered into with American Apparel prior to the consummation of the Acquisition Agreement;

making commercially reasonable efforts to negotiate with American Apparel s creditors to eliminate any personal guarantees given by American Apparel stockholders for the liabilities of American Apparel;

American Apparel and the American Apparel stockholders to waive their rights to make claims against Endeavor to collect from the trust account established for the benefit of the Endeavor stockholders who purchased their securities in Endeavor s IPO for any moneys that may be owed to them by Endeavor for any reason whatsoever, including breach by Endeavor of the Acquisition Agreement or its representations and warranties therein;

the American Apparel stockholders to repay to American Apparel at or prior to the consummation of the acquisition, all direct and indirect indebtedness and other obligations owed by them to American Apparel;

each stockholder of American Apparel to agree that he or she shall not, after the consummation of the acquisition and prior to third anniversary after the closing of the acquisition the shares of Endeavor common stock or she receives as a result of the acquisition other than as permitted pursuant to his or her lock-up agreement;

each party to use commercially reasonable efforts to secure the consent of third parties as necessary to consummate the acquisition as contemplated by the Acquisition Agreement;

Endeavor and American Apparel to use their reasonable best efforts to maintain listing for trading on the American Stock Exchange or to obtain listing on either the Nasdaq Global Market or Nasdaq Capital Market for Endeavor common stock and warrants. If such listing is not maintained or obtained as of the closing of the acquisition, Endeavor and American Apparel will continue to use their best efforts after closing of the acquisition to obtain such listing;

Endeavor to maintain current policies of directors and officers liability insurance with respect to claims arising from facts and events that occurred prior to the consummation of the acquisition for a period of six years after the consummation of the acquisition;

Mr. Charney, Mr. Lim and any other stockholders of the American Apparel companies to refrain from competing with the combined companies for a period of four years following consummation of the acquisition.

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Conditions to the Closing of the Acquisition

General conditions

Consummation of the Acquisition Agreement and the related transactions is conditioned on the Endeavor stockholders, at a special meeting called for these purposes, (i) adopting the Acquisition Agreement and approving the acquisition, (ii) approving the change of Endeavor s name, and (iii) approving the increase of the authorized shares of Endeavor s common stock from 75,000,000 to 120,000,000. The Endeavor stockholders will also be asked to approve the performance equity plan and to approve the removal of all of the provisions of Article Sixth of Endeavor s certificate of incorporation other than the paragraph relating to Endeavor s classified board of directors. The consummation of the acquisition is not dependent on the approval of either of such actions.

The acquisition will be consummated only if holders of twenty percent (20%) or more of the shares of Endeavor common stock issued in Endeavor s IPO and outstanding immediately before the consummation of the acquisition shall not have properly exercised their rights to convert their shares into a pro rata share of the trust account in accordance with Endeavor s certificate of incorporation.

In addition, the consummation of the transactions contemplated by the Acquisition Agreement is conditioned upon normal closing conditions in a transaction of this nature, including:

- the delivery by each party to the other party of a certificate to the effect that the representations and warranties of the delivering party are true and correct in all material respects as of the closing and all covenants contained in the Acquisition Agreement have been materially complied with by the delivering party;

- the receipt of necessary consents and approvals by third parties and the completion of necessary proceedings;

- Endeavor s common stock being quoted on the American Stock Exchange or listed for trading on either the Nasdaq Global Market or Nasdaq Capital Market and there being no action or proceeding pending or threatened against Endeavor by the National Association of Securities Dealers, Inc. (NASD) to prohibit or terminate the quotation of Endeavor s common stock on the American Stock Exchange or the trading thereof on Either the Nasdaq Global Market or Nasdaq Capital Market; and

- no order, stay, judgment or decree being issued by any governmental authority preventing, restraining or prohibiting in whole or in part, the consummation of such transactions.

American Apparel s conditions to closing

The obligations of American Apparel to consummate the transactions contemplated by the Acquisition Agreement, in addition to the general conditions described above, are conditioned upon each of the following, among other things:

- there shall have been no material adverse effect with respect to Endeavor since the date of the Acquisition Agreement;

- American Apparel shall have received from Graubard Miller, counsel to Endeavor, a legal opinion, which among other things, opines on the validity and enforceability of the Acquisition Agreement and the transactions contemplated thereby; substantially in the form annexed to the Acquisition Agreement, which is customary for transactions of this nature;

- Endeavor shall have executed and delivered an employment agreement for Mr. Charney on the terms described in this proxy statement and such employment agreement shall be in full force and effect as of the closing of the acquisition;

American Apparel shall have received from Graubard Miller, counsel to Endeavor, a legal opinion, which among other things, opines on the validity and enforceability of the Acquisition Agreement and the transactions contemplated thereby, substantially in the form annexed to the Acquisition Agreement, which is customary for transactions such as the acquisition; and

the trust fund established for the benefit of the holders of Endeavor s public common stock shall contain no less than $124,042,336 and shall be dispersed to Endeavor immediately upon the closing, less (i) any amounts that may be paid to Mr. Lim by Endeavor, (ii) amounts paid to Endeavor stockholders who have elected to convert their shares to cash in accordance with Endeavor s certificate of incorporation, (iii) repayment of any interest-free loans made by certain stockholders of Endeavor to fund necessary operating expenses of Endeavor prior to closing, and (iv) expenses incurred by Endeavor in connection with the business combination that are not otherwise paid with Endeavor s assets held outside of the trust fund.

Endeavor s conditions to closing

The obligations of Endeavor to consummate the transactions contemplated by the Acquisition Agreement, in addition to the general conditions described above, are conditioned upon each of the following, among other things:

there shall have been no material adverse effect with respect to American Apparel since the date of the Acquisition Agreement;

all of the financial statements of American Apparel as audited or reviewed by Marcum & Kliegman shall be materially the same as the financials that were delivered to Endeavor prior to the execution of the Acquisition Agreement;

the employment agreement between American Apparel and Mr. Charney shall have been executed by Mr. Charney and such employment agreement be in full force and effect; as of the closing of the acquisition;

the parties shall have identified persons to serve as the chief operating officer, chief financial officer and chief information officer of Endeavor and that these persons shall have entered into reasonably acceptable employment agreements with Endeavor and commenced their employment effective as of the closing of the acquisition;

Endeavor shall have received from Buchanan Ingersoll & Rooney PC, counsel to American Apparel , a legal opinion, which among other things, opines on the validity and enforceability of the Acquisition Agreement and the transactions contemplated thereby; substantially in the form annexed to the Acquisition Agreement, which is customary for transactions of this nature;

the voting agreement between certain stockholders of Endeavor and Mr. Charney and Endeavor shall be in full force and effect, and the Endeavor designees shall have been elected to Endeavor s board of directors;

Mr. Charney, Mr. Lim and any and all other stockholders of the American Apparel companies shall have repaid any and all amounts owed by them to American Apparel;

all financial statements and EBITDA projections described earlier shall have been delivered by American Apparel and shall project in good faith that American Apparel shall have EBITDA in 2007 and 2008 of at least certain prescribed amounts;

all of the LLC interests shall have been transferred to AAI;

Endeavor shall have received an opinion from a qualified investment bank addressed to Endeavor s board of directors that, as of the date of the opinion, the consideration being given by Endeavor in the acquisition is fair, from a financial point of view, to the stockholders of Endeavor and that the fair market value of American Apparel is at least equal to 80% of the net assets of Endeavor at the time of the transaction; and

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American Apparel shall have obtained all necessary authorization under the applicable laws of Canada and its provinces, including a Section 116 Certificate.

Indemnification

As the sole remedy for the obligation of the American Apparel stockholders to indemnify and hold harmless Endeavor for any damages, whether as a result of any third party claim or otherwise, which arise as a result of or in connection with the breach of representations, warranties, agreements and covenants of American Apparel, at the closing of the acquisition, 8,064,516 shares of Endeavor common stock to be issued to the American Apparel stockholders as acquisition consideration will be deposited in escrow. Claims for indemnification may be asserted by Endeavor once the damages exceed $250,000 and are indemnifiable to the extent that damages exceed $250,000. Any shares of Endeavor common stock remaining in the indemnity escrow fund on the later of (a) the first anniversary of the closing of the acquisition and (b) the thirtieth day after the date that Endeavor files its Annual Report on Form 10-K for the year ended December 31, 2007, or for such further period as may be required pursuant to the Escrow Agreement, shall be released to the persons entitled to them. For purposes of satisfying an indemnification claim, shares of Endeavor common stock will be valued at the average reported last sale price for the ten trading days ending on the last day prior to the day that the claim is paid. The escrow agreement is attached to this proxy statement as *Annex F*. We encourage you to read the escrow agreement in its entirety.

The board of directors of Endeavor has appointed to take all necessary actions and make all decisions pursuant to the escrow agreement regarding Endeavor s right to indemnification under the Acquisition Agreement. If ceases to so act, Endeavor s board of directors shall appoint as a successor a person who was a director of Endeavor prior to the closing who would qualify as an independent director of Endeavor and who had no relationship with American Apparel prior to the closing. , and any successor, is charged with making determinations whether Endeavor may be entitled to indemnification, and may make a claim for indemnification by giving notice to Mr. Charney, with a copy to the escrow agent, specifying the details of the claim. Mr. Charney may accept the claim or dispute it. If the claim is disputed by Mr. Charney and not ultimately resolved by negotiation, it shall be determined by arbitration. Upon a claim and its value becoming established by the parties or through arbitration, it is payable from the shares placed in escrow or cash substituted therefor.

Termination

The Acquisition Agreement provides that it may be terminated at any time, but not later than the closing, as follows:

by mutual written consent of Endeavor and American Apparel;

by either party if a governmental entity shall have issued an order, decree or ruling or taken any other action, in any case having the effect of permanently restraining, enjoining or otherwise prohibiting the acquisition, which order, decree, ruling or other action is final and nonappealable;

by either party if the other party has breached any of its covenants or representations and warranties in any material respect and has not cured its breach within 30 days of the notice of an intent to terminate, provided that the terminating party is itself not in breach;

by Endeavor by written notice to American Apparel without any cure period, if (i) American Apparel s financial statements do not conform with Section 6.3(n) of the Acquisition Agreement or otherwise do not comply with the conditions set forth thereunder or are not otherwise produced and delivered in accordance with Section 5.1 of the Acquisition Agreement, (ii) American Apparel s audited financial statements for 2006 are not delivered to Endeavor on or prior to March 31, 2007, (iii) a statement of American Apparel s EBITDA for 2006 is not delivered to Endeavor within five business days after the delivery of American Apparel s 2006 audited financial statements, (iv) 2006 EBITDA is not at least $30,000,000 (subject to exclusions of up to $5 million prescribed in the Acquisition Agreement),

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(v) projections for American Apparel s 2007 and 2008 EBITDA are not delivered to Endeavor within five business days after the delivery of American Apparel s 2006 audited financial statements, (vi)American Apparel s projected 2007 EBITDA is not at least $50,000,000 (subject to exclusions of up to $5 million prescribed in the Acquisition Agreement) or (vii) American Apparel s projected 2008 EBITDA is not at least $70,000,000 (subject to exclusions set forth in the Acquisition Agreement) or (vii) the Fairness Opinion is not received by Endeavor s board on or prior to January 30, 2007;

by either party if, at the Endeavor stockholder meeting, the Acquisition Agreement and the transactions contemplated thereby shall fail to be approved and adopted by the affirmative vote of the holders of Endeavor s common stock, or the holders of 20% or more of the shares issued in Endeavor s IPO properly exercise their conversion rights; and

by either party if the acquisition has not been consummated by December 15, 2007.

If permitted under the applicable law, either American Apparel or Endeavor may waive any inaccuracies in the representations and warranties made to such party contained in the Acquisition Agreement and waive compliance with any agreements or conditions for the benefit of itself or such party contained in the Acquisition Agreement. The condition requiring that the holders of fewer than 20% of the shares of Endeavor common stock issued in its IPO affirmatively vote against the acquisition proposal and properly demand conversion of their shares into cash may not be waived. We cannot assure you that all of the conditions will be satisfied or waived. Endeavor s board of directors will resolicit stockholder approval of the acquisition if either party waives a material condition to the acquisition agreement (other than those waivers granted to date and described in *The Acquisition Agreement Certain Waivers and Modifications*) or such changes in the terms of the acquisition render the disclosure previously provided materially misleading.

Certain Waivers and Modifications

As noted above, American Apparel was required to demonstrate pro forma adjusted EBITDA of at least $30 million for the fiscal year ending December 31, 2006. Adjustments contemplated by the Acquisition Agreement included deferred rent, legal and litigation expenses, and workers compensation adjustments not to exceed $5 million in the aggregate. The pro forma adjusted 2006 EBITDA calculations set forth in this proxy statement include certain adjustments in excess of the $5 million basket provided by the terms of the Acquisition Agreement. Endeavor has allowed these additional adjustments in order to accommodate an inventory obsolescence reserve of approximately $3.5 million established in connection with American Apparel s 2006 audit for the year ended December 31, 2006 and the acquisition.

Endeavor has also waived the original pro forma adjusted EBITDA projection requirements for 2007 and 2008 contained in the Acquisition Agreement. This is due to changes in the original timing assumptions used by American Apparel in its projections for receipt of both additional interim bank debt financing and the equity financing that the parties believe will be available to American Apparel upon consummation of the acquisition.

Effect of Termination

In the event of proper termination by either Endeavor or American Apparel , the Acquisition Agreement will become void and have no effect, without any liability or obligation on the part of Endeavor or American Apparel, except that:

the confidentiality obligations set forth in the Acquisition Agreement will survive;

the waiver by American Apparel and the American Apparel stockholders of all rights against Endeavor to collect from the trust account any moneys that may be owed to them by Endeavor for any reason whatsoever, including but not limited to a breach of the Acquisition Agreement, and the acknowledgement that neither American Apparel nor the American Apparel stockholders will seek recourse against the trust account for any reason whatsoever, will survive;

- the rights of the parties to bring actions against each other for breach of the Acquisition Agreement will survive; and

- the fees and expenses incurred in connection with the Acquisition Agreement and the transactions contemplated thereby will be paid by the party incurring such expenses.

The Acquisition Agreement does not provide for specific penalties or payments in the event of a material breach by a party of its covenants or warranties or a refusal or wrongful failure of the other party to consummate the acquisition. In such event, the non-wrongful party would be entitled to assert its legal rights for breach of contract against the wrongful party.

Fees and Expenses

All fees and expenses incurred in connection with the Acquisition Agreement and the transactions contemplated thereby will be paid by the party incurring such expenses whether or not the Acquisition Agreement is consummated.

Confidentiality; Access to Information

Endeavor and American Apparel will afford to the other party and its financial advisors, accountants, counsel and other representatives prior to the completion of the acquisition reasonable access during normal business hours, upon reasonable notice, to all of their respective properties, books, records and personnel to obtain all information concerning the business, including the status of product development efforts, properties, results of operations and personnel, as each party may reasonably request. Endeavor and American Apparel will maintain in confidence any non-public information received from the other party, and use such non-public information only for purposes of consummating the transactions contemplated by the Acquisition Agreement.

Amendments

The Acquisition Agreement may be amended by the parties thereto at any time by execution of an instrument in writing signed on behalf of each of the parties.

Extension; Waiver

At any time prior to the closing, any party to the Acquisition Agreement may, in writing, to the extent legally allowed:

- extend the time for the performance of any of the obligations or other acts of the other parties to the agreement;

- waive any inaccuracies in the representations and warranties made to such party contained in the Acquisition Agreement or in any document delivered pursuant to the Acquisition Agreement; and

- waive compliance with any of the agreements or conditions for the benefit of such party contained in the Acquisition Agreement.

Public Announcements

Endeavor and American Apparel have agreed that until closing or termination of the Acquisition Agreement, the parties will:

- cooperate in good faith to jointly prepare all press releases and public announcements pertaining to the Acquisition Agreement and the transactions governed by it; and not issue or otherwise make any public announcement or communication pertaining to the Acquisition Agreement or the transaction without the prior consent of the other party, which shall not be unreasonably withheld by the other party, except as may be required by applicable laws or court process.

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Arbitration

Any disputes or claims arising under or in connection with the Acquisition Agreement or the transactions contemplated thereunder will be resolved by binding arbitration. Arbitration will be commenced by the filing by a party of an arbitration demand with the American Arbitration Association (AAA). The arbitration will be governed and conducted by applicable AAA rules, and any award or decision shall be conclusive and binding on the parties. Each party consented to the exclusive jurisdiction of the federal and state courts located in the State of Delaware, New Castle County, for such purpose. The arbitration shall be conducted in Wilmington, Delaware. Each party shall pay its own fees and expenses for the arbitration, except that any costs and charges imposed by the AAA and any fees of the arbitrator shall be assessed against the losing party.

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UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

(IN THOUSANDS OF DOLLARS)

The following unaudited pro forma condensed combined balance sheet combines Endeavor s historical balance sheet and those of AAI and the CI companies as of March 31, 2007, giving effect to the transactions described in the Acquisition Agreement as if they had occurred on March 31, 2007. The following unaudited pro forma condensed combined statements of operations combine Endeavor s historical statement of operations for the three months ended March 31, 2007 and the year ended December 31, 2006 with those of AAI and the CI companies for the three months ended March 31, 2007 and the year ended December 31, 2006, in each case giving effect to the acquisition as if it had occurred on January 1, 2006.

The acquisition will be accounted for as a reverse merger and recapitalization since the stockholders of American Apparel will own a majority of the outstanding shares of the common stock immediately following the completion of the transaction. American Apparel will be deemed to be the accounting acquirer in the transaction and, consequently, the transaction is treated as a recapitalization of American Apparel. Accordingly, the assets and liabilities and the historical operations that are reflected in the financial statements are those of American Apparel and are recorded at the historical cost basis of American Apparel. Endeavor s assets, liabilities and results of operations will be consolidated with the assets, liabilities and results of operations of American Apparel after consummation of the acquisition. The CI companies financial results will be retroactively combined with those of AAI as they are entities under common control.

The pro forma adjustments give effect to events that are directly attributable to the transactions discussed below that have a continuing impact on the operations of Endeavor and are based on available data and certain assumptions that management believes are factually supportable.

The unaudited pro forma condensed combined financial statements described above should be read in conjunction with Endeavor s historical financial statements and those of AAI and the CI companies and the related notes thereto. The pro forma adjustments are preliminary and the unaudited pro forma information is not necessarily indicative of the financial position or results of operations that may have actually occurred had the acquisition taken place on the dates noted, or of Endeavor s future financial position or operating results.

On December 18, 2006 Endeavor entered into an agreement and plan of reorganization by which it will acquire American Apparel. In exchange for all of the securities of American Apparel, Endeavor will issue 32,258,065 shares of its common stock, subject to downward adjustment based on American Apparel s net debt immediately prior to closing of the acquisition. Mr. Charney shall purchase all of the outstanding capital stock and membership interest of the various American Apparel companies owned by Mr. Lim prior to the closing of the acquisition. In the event that the Lim Buyout is not consummated by Mr. Charney prior to closing of the acquisition for any reason, Endeavor shall affect the Lim Buyout as part of the acquisition by reducing the number of shares of Endeavor common stock to be issued to Mr. Charney in the acquisition and paying Mr. Lim cash for all of his equity interests in American Apparel.

The purchase price payable to Mr. Lim shall be $60 million plus an additional cash price (Additional Purchase Price) equal to $60 million divided by 365, multiplied by 0.20, multiplied by the number of days after May 1, 2007 until the Lim Buyout is consummated. The $60 million purchase price plus any Additional Purchase Price is referred to as the Lim Payment Amount. In the event that the Lim Buyout is not consummated by Mr. Charney prior to the closing of the acquisition for any reason, Endeavor shall affect the Lim Buyout as part of and conditioned upon the consummation of the acquisition by reducing the number of shares of Endeavor common stock to be issued to Mr. Charney by the number equal to the Lim Payment Amount divided by $7.75 and paying to Mr. Lim the Lim Payment Amount in cash. If the acquisition is consummated on July 30, 2007, and Endeavor is required to affect the Lim Buyout on the same date, the number of shares issued to Mr. Charney, as reduced, would be 24,134,335 and Endeavor would pay Mr. Lim $62,958,904.

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Consummation of the acquisition is conditioned upon, among other things, the Endeavor stockholders adopting and approving the acquisition agreement. If Endeavor stockholders owning 20% or more of Endeavor common stock sold in the IPO vote against the acquisition and exercise their right to convert their shares of Endeavor common stock issued in the IPO into a pro rata portion of the funds held in the trust account, then the acquisition cannot be consummated. Consequently, up to 3,232,148 shares of Endeavor common stock, representing 19.99% of the 16,160,745 shares of Endeavor common stock issued in Endeavor s IPO are subject to possible conversion in this manner. This would represent an aggregate maximum conversion liability of approximately $25.2 million as of March 31, 2007. As indicated in the pro forma balance sheets which follow, Endeavor would have adequate cash resources to satisfy this liability, even if Endeavor is the party required to affect the Lim Buyout.

The following unaudited pro forma financial statements have been prepared using four different assumptions with respect to the number of outstanding shares of Endeavor stock and cash, as follows:

- assuming no conversions and Mr. Charney consummates the Lim Buyout this presentation assumes that no stockholders of Endeavor seek to convert their shares into a pro rata share of the trust account and Mr. Charney purchases all of Mr. Lim s equity interest in the American Apparel companies using his own resources;

- assuming maximum conversions and Mr. Charney consummates the Lim Buyout this presentation assumes stockholders of Endeavor owning 19.99% of the stock sold in Endeavor s initial public offering seek conversion and Mr. Charney purchases all of Mr. Lim s equity interest in the American Apparel companies using his own resources;

- assuming no conversions and Endeavor consummates the Lim Buyout this presentation assumes that no stockholders of Endeavor seek to convert their shares into a pro rata share of the trust account and Endeavor purchases all of Mr. Lim s equity interest in the American Apparel companies using a portion of the trust fund (estimated at $62,958,904 assuming a closing on July 30, 2007); and

- assuming maximum conversions and Endeavor consummate the Lim Buyout this presentation assumes that no stockholders of Endeavor seek to convert their shares into a pro rata share of the trust account and Endeavor purchases all of Mr. Lim s equity interest in the American Apparel companies using a portion of the trust fund (estimated at $62,958,904 assuming the acquisition closes on July 30, 2007).

We are providing this information to aid you in your analysis of the financial aspects of the acquisition. The unaudited pro forma condensed combined financial statements described above should be read in conjunction with Endeavor s historical financial statements and those of AAI and the CI companies and the related notes thereto. The pro forma adjustments are preliminary and the unaudited pro forma information is not necessarily indicative of the financial position or results of operations that may have actually occurred had the acquisition taken place on the dates noted, or of Endeavor s future financial position or operating results.

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UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET

ASSUMING LIM BUYOUT AFFECTED BY MR. CHARNEY

MARCH 31, 2007

(in thousands of dollars)

	Endeavor Acquisition Corp. USD $ Note 1	American Apparel, Inc. USD $ Note 2	CI Companies CDN $ Note 3	CI Companies USD $ Note 3	Notes	Pro Forma Adjustments No Conversion USD $	Pro Forma Combined No Conversion USD $	Pro Form Adjustments Maximum Allowable Conversion USD $	Pro Form Combined Maximum Allowable Conversion USD $
Assets									
Current Assets									
Cash and cash equivalents	$ 189	$ 5,105	$ 380	$ 328	9	$ 110,592	$ 116,214	$ (25,228)	$ 90,986
Cash held in Trust Fund	126,146				7,8,9	(126,146)	(0)		
Accounts receivable		16,260	1,666	1,443	4		17,703		17,703
Due from U.S. Affiliate			844	731		(731)			
Prepaid expenses and other current assets	94	2,488	270	234			2,816		2,816
Inventories, net		85,911	8,352	7,234	6	(185)	92,960		92,960
Deferred tax asset		336	153	133	11	5,686	6,155		6,155
Total current assets	126,429	110,100	11,665	10,103		(10,784)	235,849	(25,228)	210,621
Property and equipment, net	4	43,124	6,292	5,450			48,577		48,578
Deferred tax asset			319	276			276		276
Intangible assets, net		975					975		975
Goodwill		950					950		950
Other assets	222	7,683	265	230			8,135		8,135
Total assets	$ 126,655	$ 162,832	$ 18,541	$ 16,059		$ (10,784)	$ 294,762	$ (25,228)	$ 269,534

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UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET

ASSUMING LIM BUYOUT AFFECTED BY MR. CHARNEY (continued)

MARCH 31, 2007

(in thousands of dollars)

	Endeavor Acquisition Corp. USD $ Note 1	American Apparel, Inc. USD $ Note 2	CI Companies CDN $ Note 3	CI Companies USD $ Note 3	Notes	Pro Forma Adjustments No Conversion USD $	Pro Form Combined No Conversion USD $	Pro Forma Adjustments Maximum Allowable Conversion USD $	Pro Forma Combined Maximum Allowable Conversion USD $
Liabilities and stockholders equity									
Current liabilities									
Cash overdraft	$	$ 2,479	$	$		$	$ 2,479	$	$ 2,479
Current portion of long-term debt	150	93,765	5,343	4,628	7	(9,354)	89,189		89,189
Notes payable		9,354					9,354		9,354
Accounts payable		18,218	769	666			18,884		18,884
Accrued expenses	455	10,453	1,834	1,588			12,497		12,497
Due to Canadian Affiliate		731			4	(731)			
Income taxes payable		1,330	689	597	11	2,901	4,828		4,828
Current portion of capital lease obligations		3,151	90	78			3,229		3,229
Total current liabilities	605	139,481	8,725	7,557		(7,184)	140,459		140,459
Common stock, subject to possible conversion	25,228						25,228	(25,228)	
Long-term debt, net of current portion		260	7,032	6,090			6,350		6,350
Capital lease obligations, net of current position		2,994	115	100			3,094		3,094
Deferred rent		7,007	811	702			7,709		7,709
Total liabilities	25,833	149,742	16,683	14,449		(7,184)	182,840	(25,228)	157,612
Stockholders equity									
Common stock par value									
Common stock and additional paid-in capital	97,134	5,706	761	660	6,8,11,12	(7,506)	95,994		95,994
Due from stockholders		(911)			8	1,306	395		395
Accumulated other comprehensive income (loss)		359					359		359
Retained earnings	3,688	7,936	1,097	950	12	2,600	15,174		15,174
Total stockholders equity	100,822	13,090	1,858	1,610		(3,600)	111,922		111,922
Total liabilities and stockholders equity	$ 126,655	$ 162,832	$ 18,541	$ 16,059		$ (10,784)	$ 294,762	$ (25,228)	$ 269,534

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UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS

AND PER SHARE DATA

ASSUMING LIM BUYOUT AFFECTED BY MR. CHARNEY

THREE MONTHS ENDED, MARCH 31, 2007

(in thousands of dollars, except per share data)

	Endeavor Acquisition Corp. USD $	American Apparel, Inc. USD $	CI Companies CDN $	CI Companies USD $	Notes	Pro Forma Adjustment No Conversion USD $	Pro Forma Combined No Conversion USD $
	Note 1	Note 2	Note 3	Note 3			
Net sales	$	$ 69,033	$ 8,364	$ 7,139	5, 6	$ (2,670)	$ 73,502
Cost of sales		30,836	3,093	2,640	5, 6	(2,485)	30,991
Gross profit		38,197	5,271	4,499		(185)	42,511
Selling, general and administrative	271	32,328	4,885	4,169	10	(85)	36,683
Income (loss) from operations	(271)	5,869	386	330		(100)	5,828
Interest and other (income) expense							
Interest expense		3,674	335	286	10	(561)	3,399
Foreign currency (gain) loss		46					46
Other (income) expense		(157)					(157)
Dividend income	(1,034)				10	1,034	
	(1,034)	3,563	335	286		473	3,288
Income (loss) before income taxes	763	2,306	51	44		(473)	2,540
Income tax provision (benefit)		597	74	63			660
Net income (loss)	763	1,709	(23)	(19)		(473)	1,880
Accretion of trust fund, relating to Common Stock subject to possible conversion	206				10	(206)	
Net income (loss) available to common stockholders	$ 557	$ 1,709	$ (23)	$ (19)		$ (367)	$ 1,880
Pro Forma Combined No Conversion							
Weighted average number of shares	19,910,745				13	32,258,065	52,168,810
Basic and diluted net income per share	$ 0.03						$ 0.04
Pro Forma Combined No Conversion							

To reflect a reduction in shares issued due to the excess debt limit of $110,000:

Weighted average Number of Shares	14	(941,935)	51,226,875
Basic and diluted net income per share			$ 0.04
Pro Forma Combined Maximum Conversion	15	(3,232,149)	47,994,726
Weighted average Number of Shares			
Basic and diluted net income per share			$ 0.05

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NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

ASSUMING LIM BUYOUT AFFECTED BY MR. CHARNEY

MARCH 31, 2007

(in thousands of dollars)

Note 1 Derived from the unaudited financial statements of Endeavor Acquisition Corp. as of March 31, 2007.

Note 2 Derived from the unaudited consolidated financial statements of American Apparel, Inc. as of March 31, 2007.

Note 3 Derived from the unaudited combined financial statements of The American Apparel Group of Canada as of March 31, 2007. Canadian dollars converted to US dollars Average rate of $0.8535 for the pro forma statement of operations and the actual rate on March 31, 2007 of $0.8661 for the pro forma balance sheet.

Note 4 Reflects the elimination of affiliated payable/receivable between American Apparel, Inc. and The American Apparel Group of Canada.

Decrease	Due from U.S. Affiliate	$	(731)
Decrease	Due to Canadian Affiliate		731

Note 5 Reflects the elimination of sales and cost of sales between American Apparel, Inc. and The American Apparel Group of Canada.

Decrease	Net sales	$	2,670
Decrease	Cost of sales		(2,485)

Note 6 Reflects the profit in the ending inventory of The American Apparel Group of Canada.

Decrease	Inventory	$	(185)
Increase	Cost of sales		185

Note 7 Reflects the repayment of loans made to American Apparel by certain of its directors, officers and employees at the time of the acquisition. Related party ($360, $2,540) and unrelated party ($6,454) notes payable.

Decrease	Cash held in trust fund	$	(9,354)
Decrease	Current portion of long-term debt		9,354

Note 8 Distributions to AAI stockholders for personal tax liabilities for prior periods

Decrease	Cash held in trust fund	$	(6,200)
Decrease	Additional Paid In Capital		7,111
Decrease	Due from stockholders		(911)

Note 9 Reclass cash held in trust

Decrease	Cash held in trust fund	$	(110,592)
increase	Cash and cash equivalents		110,592

Note 10 To eliminate dividend income earned on IPO proceeds which would have been applied to the asset acquisition as of January 1, 2007, interest expense on long-term indebtedness paid off with the proceeds and management fees.

Decrease	Dividend income	$	1,034
Decrease	Interest expense		(561)
Decrease	Accretion of trust fund, relating to common stock		(206)
Decrease	Management fee		(85)

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NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

ASSUMING LIM BUYOUT AFFECTED BY MR. CHARNEY

MARCH 31, 2007 (Continued)

(in thousands of dollars)

Note 11 To record increased state and federal income tax charges (tax status changed from Sub Chapter S Corporation to a C Corporation) for the period ending March 31, 2007.

Increase	Deferred tax asset	$ 5,686
Increase	Income tax provision (Benefit)	(2,901)

Note 12 To record stock recapitalization upon amortization

Increase	Common stock and additional paid-in capital	$ 11,624
Decrease	Retained earnings	11,624

Note 13 To record stock issued to Mr. Charney from the purchase of AAI and CI.

In return for all of the capital stock in each of the American Apparel companies, Mr. Charney will receive from Endeavor up to an aggregate of 32,258,065 shares of Endeavor common stock, subject to adjustment, including in circumstances where American Apparel s net debt at the close of business on the date two business days prior to the closing of the acquisition is more than $110,000,000 and/or if Mr. Charney fails to consummate the Lim Buyout.

Note 14 To record stock reduction to Mr. Charney due to the excess debt limit of $110,000 calculated as follows:

Total Interest Bearing Indebtedness at March 31, 2007	$ 117,300
Maximum Accounts under the Agreement	110,000
Excess	7,300
Factor	7.75
Share Reduction	941,935

If American Apparel s net debt, as defined in the Acquisition Agreement, at the close of business on the date two business days prior to the closing of the acquisition is more than $110,000,000, the number of shares Mr. Charney will receive will be reduced by that number of shares equal to the quotient derived by dividing (i) the difference between the closing date net debt and $110,000,000 by (ii) $7.75 (rounded up to the nearest shares); provided, however, that if closing date net debt is equal to or less than $110,000,000, there shall be no reduction.

Assuming maximum conversions:

Note 15 To record maximum conversion of 19.99% of outstanding shares (3,232,149 shares)

Decrease	Common Stock, subject to possible conversion	$ 25,228
Decrease	Cash and cash equivalents	(25,228)

3,232,149 shares purchased at $7.75 per share

Additional Consideration:

Following the consummation of the acquisition, Endeavor will pay an aggregate of $2.5 million of cash bonuses to existing American Apparel employees. See the section entitled *The Acquisition Agreement Acquisition Consideration.*

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UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT

OF OPERATIONS AND PER SHARE DATA

ASSUMING LIM BUYOUT AFFECTED BY MR. CHARNEY

YEAR ENDED, DECEMBER 31, 2006

(in thousands of dollars, except per share data)

	Endeavor Acquisition Corp. USD $ Note 1	American Apparel, Inc. USD $ Note 2	CI Companies CDN $ Note 3	CI Companies USD $ Note 3	Notes	Pro Forma Adjustment No Conversion USD $	Pro Forma Combined No Conversion USD $
Net sales	$	$ 264,691	$ 34,658	$ 30,546	4	(10,972)	$ 284,265
Cost of sales		138,385	12,527	11,042	4	(10,790)	138,637
Gross profit		126,306	22,131	19,504		(182)	145,628
Selling, general and administrative	1,101	117,006	20,797	18,330	5	(1,991)	134,446
Income (loss) from operations	(1,101)	9,300	1,333	1,174		1,809	11,182
Interest and other (income) expense							
Interest expense		10,797	1,151	1,014	5	(941)	10,870
Foreign currency (gain) loss		(601)					(601)
Other (income) expense		(607)					(607)
Dividend income	(3,974)				5	3,974	
	(3,974)	9,589	1,151	1,014		3,033	9,662
Income (loss) before income taxes	2,873	289	182	160		(1,224)	1,520
Income tax provision (benefit)	3	1,335	271	239	6		1,577
Net income (loss)	2,870	(1,624)	(89)	(79)		(1,224)	(57)
Accretion of trust fund, relating to Common Stock subject to possible conversion	794					(794)	
Net income (loss) available to common stockholders	$ 2,076	$ (1,624)	$ (89)	$ (79)		$ 999	$ 1,372
Pro Forma Combined No Conversion:							
Weighted average number of shares	19,910,745				7	32,358,865	52,168,810
	$ 0.10						$ 0.03

Basic and diluted net income per share				
Pro Forma Combined Maximum Conversion:				
Weighted average number of shares	8	(3,232,148)		48,936,662
Basic and diluted net income percentage			$	0.03

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NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

ASSUMING LIM BUYOUT AFFECTED BY MR. CHARNEY

DECEMBER 31, 2006

(in thousands of dollars)

Note 1 Derived from the audited balance sheet of Endeavor Acquisition Corp. as of December 31, 2006.

Note 2 Derived from the audited consolidated balance sheet of American Apparel, Inc. as of December 31, 2006.

Note 3 Derived from the combined audited balance sheet of The American Apparel Group of Canada as of December 31, 2006. Canadian dollars converted to US dollars at the rate of CAN $1.1653 to US $1.00.

Note 4 Reflects the elimination of sales, cost of sales and ending inventory profits between American Apparel, Inc. and The American Apparel Group of Canada.

Decrease	Net sales	$ 10,972
Decrease	Cost of sales	(10,790)

Note 5 To eliminate dividend income earned on IPO proceeds which would have been applied to the asset acquisition as of January 1, 2006, interest expense on long-term indebtedness paid off with the proceeds and management fees.

Decrease	Dividend income	$ 3,974
Decrease	Interest expense	(941)
Decrease	Accretion of trust fund, relating to common stock	(974)
Decrease	Management fee	(1,991)

Note 6 To record income tax benefit assuming American Apparel, Inc. was a corporation for the entire year.

Increase	Income tax provision (Benefit)	$ 1,429

Note 7 To record stock issued to Mr. Charney from the purchase of AAI and CI.

In return for all of the capital stock in each of the American Apparel companies, Mr. Charney will receive from Endeavor up to an aggregate of 32,258,065 shares of Endeavor common stock, subject to adjustment, including in circumstances where American Apparel s net debt at the close of business on the date two business days prior to the closing of the acquisition is more than $110,000,000 and/or if Mr. Charney fails to consummate the Lim Buyout.

Assuming Buyout of Sam Lim and maximum conversions:

Note 8 To record maximum conversion of 19.99% of outstanding shares

3,232,149 shares purchased at $7.75 per share

Additional Consideration:

Following the consummation of the acquisition, Endeavor will pay an aggregate of $2.5 million of cash bonuses to existing American Apparel employees. See the section entitled *The Acquisition Agreement Acquisition Consideration*.

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UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET

ASSUMING LIM BUYOUT AFFECTED BY ENDEAVOR

MARCH 31, 2007

(in thousands of dollars)

	Endeavor Acquisition Corp. USD $ Note 1	American Apparel, Inc. USD $ Note 2	CI Companies CDN $ Note 3	CI Companies USD $ Note 3	Notes	Pro Forma Adjustments No Conversion USD $	Pro Forma Combined-No Conversion USD $	Pro Forma Adjustments Maximum Allowable Conversion USD $	Pro Forma Combined Maximum Allowable Conversion USD $
Assets									
Current Assets									
Cash and cash equivalents	$ 189	$ 5,105	$ 380	$ 329	11,12	$ 47,633	$ 53,256	$ (25,228)	$ 28,028
Cash held in Trust Fund	126,146				7,8,9,10	(126,146)	(0)		(0)
Accounts receivable		16,260	1,666	1,443	4		17,703		17,703
Due from U.S. Affiliate			844	731		(731)			
Prepaid expenses and other current assets	94	2,488	270	234			2,816		2,816
Inventories, net		85,911	8,352	7,234	6	(185)	92,960		92,960
Deferred tax asset		336	153	133	12	5,686	6,155		6,155
Total current assets	126,429	110,100	11,665	10,103		(73,743)	172,889	(25,228)	147,661
Property and equipment, net	4	43,124	6,292	5,450			48,577		48,577
Deferred tax asset			319	276			276		276
Intangible assets, net		975					975		975
Goodwill		950					950		950
Other assets	222	7,683	265	230			8,135		8,135
Total assets	$ 126,655	$ 162,832	$ 18,541	$ 16,059		$ (73,743)	$ 231,802	$ (25,228)	$ 206,574

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UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET

ASSUMING LIM BUYOUT AFFECTED BY ENDEAVOR

MARCH 31, 2007 (Continued)

(in thousands of dollars)

	Endeavor Acquisition Corp. USD $ Note 1	American Apparel, Inc. USD $ Note 2	CI Companies CDN $ Note 3	CI Companies USD $ Note 4	Notes	Pro Forma Adjustments No Conversion USD $	Pro Forma Combined No Conversion USD $	Pro Forma Adjustments Maximum Allowable Conversion USD $	Notes	Pro Forma Combined Maximum Allowable Conversion USD $
Liabilities and stockholders equity										
Current liabilities										
Cash overdraft	$	$ 2,479	$	$		$	$ 2,479	$		$ 2,479
Current portion of long-term debt	150	103,119	5,343	4,628	7	(9,354)	98,543			98,543
Accounts payable		18,218	769	666			18,884			18,884
Accrued expenses	455	10,453	1,834	1,588			12,497			12,497
Due to Canadian Affiliate		731			4	(731)				
Income taxes payable		1,330	689	597	12	2,901	1,927			1,927
Current portion of capital lease obligations		3,151	90	78			3,229			3,229
Total current liabilities	605	139,481	8,725	7,557		(7,184)	140,459			140,459
Long-term debt, net of current portion		260	7,032	6,090			6,350			6,350
Capital lease obligations, net of current position		2,994	115	100			3,094		3,094	
Deferred rent		7,007	811	702			7,709			7,709
Total liabilities	605	149,742	16,683	14,449		(7,184)	154,711			154,711
Stockholders equity										
Common stock, subject to possible conversion	25,228				12		25,228	(25,228)	12	
Common stock and additional paid-in capital	97,133	5,706	761	660	8,9	(55,846)	47,653			47,653
Due from stockholders		(911)			8	911	0			0
Accumulated other comprehensive income (loss)		359					359			359
Retained earnings	3,688	7,936	1,097	950	13	(11,624)	950			950
Total stockholders equity	126,049	13,090	1,858	1,609		(66,559)	74,189	(25,228)		48,962
Total liabilities and stockholders equity	$ 126,655	$ 162,832	$ 18,541	$ 16,058		$ (73,743)	$ 231,802	$ (25,228)		$ 206,574

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UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS AND PER SHARE DATA

ASSUMING LIM BUYOUT AFFECTED BY ENDEAVOR

THREE MONTHS ENDED, MARCH 31, 2007

(in thousands of dollars, except per share data)

	Endeavor Acquisition Corp. USD $ Note 1	American Apparel, Inc. USD $ Note 2	CI Companies CDN $ Note 3	CI Companies USD $ Note 3	Notes	Pro Form Adjustment No Conversion USD $	Pro Forma Combined No Conversion USD $
Net sales	$	$ 69,033	$ 8,364	$ 7,139	5	$ (2,670)	$ 73,502
Cost of sales		30,836	3,093	2,640	5	(2,485)	30,991
Gross profit		38,197	5,271	4,499		(185)	42,511
Selling, general and administrative	271	32,328	4,885	4,169	11	(85)	36,683
Income (loss) from operations	(271)	5,869	386	330		(100)	5,828
Interest and other (income) expense							
Interest expense		3,674	335	286	11	(561)	3,399
Foreign currency (gain) loss		46					46
Other (income) expense		(157)					(157)
Dividend income	(1,034)				11	1,034	(0)
	(1,034)	3,563	335	286		473	3,288
Income (loss) before income taxes	763	2,306	51	44		(573)	2,540
Income tax provision (benefit)		597	74	63			660
Net income (loss)	763	1,709	(23)	(19)		(573)	1,880
Accretion of trust fund, relating to Common Stock subject to possible conversion	206				11	(206)	
Net income (loss) available to common stockholders	$ 557	$ 1,709	$ (23)	$ (19)		$ (367)	$ 1,880
Pro Forma Combined No Conversion:							
Weighted average number of shares	19,910,745				14	24,134,335	44,045,080
Basic and diluted net income per share	$ 0.03						$ 0.04
Pro Forma Combined No Conversion:							
To reflect a reduction in shares due to the excess debt limit of $110,000;							
Weighted average number of shares					15	(941,935)	43,103,145
Basic and diluted net income per share							$ 0.04

Pro Forma Combined Maximum Conversion:				
Weighted average number of shares	16	(3,232,149)		39,870,996
Basic and diluted net income per share			$	0.05

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NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

ASSUMING LIM BUYOUT AFFECTED BY ENDEAVOR

MARCH 31, 2007

(in thousands of dollars)

Note 1 Derived from the unaudited financial statements of Endeavor Acquisition Corp. as of March 31, 2007.

Note 2 Derived from the unaudited consolidated financial statements of American Apparel, Inc. as of March 31, 2007.

Note 3 Derived from the unaudited combined financial statements of The American Apparel Group of Canada as of March 31, 2007. Canadian dollars converted to US dollars Average rate of $0.8535 and the actual rate on March 31, 2007 of $0.8661.

Note 4 Reflects the elimination of affiliated payable/receivable between American Apparel, Inc. and The American Apparel Group of Canada.

Decrease	Due from U.S. Affiliate	$ (731)
Decrease	Due to Canadian Affiliate	731

Note 5 Reflects the elimination of sales and cost of sales between American Apparel, Inc. and The American Apparel Group of Canada.

Decrease	Net sales	$ 2,662
Decrease	Cost of sales	(2,485)

Note 6 Reflects the profit in the ending inventory of The American Apparel Group of Canada.

Decrease	Inventory	$ (185)
Increase	Cost of sales	185

Note 7 Reflects the repayment of loans made to American Apparel by certain of its directors, officers and employees at the time of the acquisition. Related party ($360, $2,540) and unrelated party ($6,454) notes payable.

Decrease	Cash held in trust fund	$ (9,354)
Decrease	Current portion of long-term debt	9,354

Note 8 Distributions to AAI stockholders and personal tax liabilities for prior periods

Decrease	Cash held in trust fund	$ (6,200)
Decrease	Additional Paid In Capital	7,111
Decrease	Due from stockholders	(911)

Note 9 Reflects Endeavor s buyout of Lim on July 30, 2007

Decrease	Cash held in trust fund	$ (62,959)
Increase	Additional Paid In Capital	62,959

Note 10 Reclass cash held in trust

Decrease	Cash held in trust fund	$ (47,633)
Increase	Cash and cash equivalents	47,633

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NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

ASSUMING LIM BUYOUT AFFECTED BY ENDEAVOR

MARCH 31, 2007 (Continued)

(in thousands of dollars)

Note 11 To eliminate dividend income earned on IPO proceeds which would have been applied to the asset acquisition as of January 1, 2007, interest expense on long-term indebtedness paid off with the proceeds and management fees.

Decrease	Dividend income	$ 1,034
Decrease	Interest expense	(561)
Decrease	Accretion of trust fund, relating to common stock	(206)
Decrease	Management fee	(85)

Note 12 To record increased state and federal income tax changes (tax status changed from Sub Chapter S Corporation to a C Corporation) for the period ending March 31, 2007.

Increase	Deferred tax asset	$ 5,686
Increase	Income tax provision (benefit)	

Note 13 To record recapitalization upon acquisition

Increase	Common stock and additional paid-in cash	$ 11,624
Decrease	Retained earnings	11,624

Note 14 To record stock issued to Mr. Charney from the purchase of AAI and CI.

In return for all of the capital stock in each of the American Apparel companies, Mr. Charney will receive from Endeavor up to an aggregate of 32,258,065 shares of Endeavor common stock, subject to adjustment, including in circumstances where American Apparel s net debt at the close of business on the date two business days prior to the closing of the acquisition is more than $110,000,000 and/or if Mr. Charney fails to consummate the Lim Buyout. If the acquisition is consummated on July 30, 2007, and Endeavor is required to affect the Lim Buyout on the same date, the number of shares issued to Mr. Charney, as reduced, would be 24,134,335 and Endeavor would pay Mr. Lim $62,958,904.

Note 15 To record stock reduction to Mr. Charney due to the excess debt limit of $110,000 calculated as follows:

Total Interest Bearing Indebtedness at March 31, 2007		$ 117,300
Maximum allowed under the agreement		110,000
	Excess	7,300
	Factor	7.75
Share reduction		941,935

If American Apparel s net debt as defined in the Acquisition Agreement at the close of business on the date two business days prior to the closing of the acquisition is more than $110,000,000, the number of shares Mr. Charney will receive will be reduced by that number of shares equal to the quotient derived by dividing (i) the difference between the closing date net debt and $110,000,000 by (ii) $7.75 (rounded up to the nearest shares); provided, however, that if closing date net debt is equal to or less than $110,000,000, there shall be no reduction.

Assuming Buyout of Sam Lim and maximum conversions:

Note 16 To record maximum conversion of 19.99% of outstanding shares

Decrease	Common Stock, subject to possible conversion	$ 25,228
Decrease	Cash and cash equivalents	(25,228)
3,232,149 shares purchased at $7.75 per share		

Additional Consideration:

Following the consummation of the acquisition, Endeavor will pay an aggregate of $2.5 million of cash bonuses to existing American Apparel employees. See the section entitled *The Acquisition Agreement Acquisition Consideration.*

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UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS AND PER SHARE DATA

ASSUMING LIM BUYOUT AFFECTED BY ENDEAVOR

YEAR ENDED, DECEMBER 31, 2006

(in thousands of dollars, except per share data)

	Endeavor Acquisition Corp. USD $ Note 1	American Apparel, Inc. USD $ Note 2	CI Companies CDN $ Note 3	CI Companies USD $ Note 3	Notes	Pro Forma Adjustment No Conversion USD $	Pro Forma Combined No Conversion USD $
Net sales	$	$ 264,691	$ 34,658	$ 30,546	4	(10,972)	$ 284,265
Cost of goods sold		138,385	12,527	11,042	4	(10,790)	138,637
Gross profit		126,306	22,131	19,505		(182)	145,628
Selling, general and administrative	1,101	117,006	20,797	18,330	5	(1,991)	134,446
Income (loss) from operations	(1,101)	9,300	1,334	1,175		1,809	11,182
Interest and other (income) expense							
Interest expense		10,797	1,151	1,014	5	(941)	10,870
Foreign currency (gain) loss		(601)					(601)
Other (income) expense		(607)					(607)
Dividend income	(3,974)				5	3,974	(0)
	(3,974)	9,589	1,151	1,014		3,033	9,662
Income (loss) before income taxes	2,873	(289)	182	160		(1,224)	1,520
Income tax provision (benefit)	2	1,335	271	239	6	1,429	148
Net income (loss)	2,870	(1,624)	(89)	(79)		205	(57)
Accretion of trust fund, relating to Common Stock subject to possible conversion	794				5	(794)	
Net income (loss) available to common stockholders	$ 2,076	$ (1,624)	$ (89)	$ (79)		$ (430)	$ (57)
Pro Forma Combined No Conversion:							
Weighted average number of shares	19,910,745				7	24,134,335	44,045,080
Basic and diluted net income per share	$ 0.10						$ 0.03
Pro Forma Combined Maximum Conversion:							

Weighted average number of shares	8	(3,232,148)	40,812,932
Basic and diluted net income per share			$ 0.03

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NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

ASSUMING LIM BUYOUT AFFECTED BY ENDEAVOR

DECEMBER 31, 2006

(in thousands of dollars)

Note 1 Derived from the audited balance sheet of Endeavor Acquisition Corp. as of December 31, 2006.

Note 2 Derived from the audited consolidated balance sheet of American Apparel, Inc. as of December 31, 2006.

Note 3 Derived from the combined audited balance sheet of The American Apparel Group of Canada as of December 31, 2006. Canadian dollars converted to US dollars at the rate of CAN $1.1653 to US $1.00.

Note 4 Reflects the elimination of affiliated payable/receivable between American Apparel, Inc. and The American Apparel Group of Canada.

Decrease	Net sales	$ 10,972
Decrease	Cost of sales	(10,790)

Note 5 To eliminate dividend income earned on IPO proceeds which would have been applied to the asset acquisition as of January 1, 2006, interest expense on long-term indebtedness paid off with the proceeds and management fees.

Decrease	Dividend income	$ 3,974
Decrease	Interest expense	(941)
Decrease	Accretion of trust fund, relating to common stock	(974)
Decrease	Management fee	(1,991)

Note 6 To record income tax benefit assuming AA was a corporation for the entire year.

Increase	Income tax provision (benefit)	$ 1,429

Note 7 To record stock issued to Mr. Charney fro the purchase of AAI and CI.

In return for all of the capital stock in each of the American Apparel companies, Mr. Charney will receive from Endeavor up to an aggregate of 32,258,065 shares of Endeavor common stock, subject to adjustment, including in circumstances where American Apparel s net debt at the close of business on the date two business days prior to the closing of the acquisition is more than $110,000,000 and/or if Mr. Charney fails to consummate the Lim Buyout. If the acquisition is consummated on July 30, 2007, and Endeavor is required to affect the Lim Buyout on the same date, the number of shares issued to Mr. Charney, as reduced, would be 24,134,335 and Endeavor would pay Mr. Lim $62,958,904.

Assuming Buyout of Sam Lim and maximum conversions:

Note 8 To record maximum conversion of 19.99% of outstanding shares

Decrease	Common stock, subject to possible conversion	$ 25,228
Decrease	Cash and cash equivalents	(25,228)

32,232,149 shares purchased at $7.75 per share

Additional Consideration:

Following the consummation of the acquisition, Endeavor will pay an aggregate of $2.5 million of cash bonuses to existing American Apparel employees. See the section entitled *The Acquisition Agreement Acquisition Consideration.*

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NAME CHANGE AMENDMENT PROPOSAL

Pursuant to the Acquisition Agreement, we will change Endeavor s corporate name from Endeavor Acquisition Corp. to American Apparel, Inc. upon consummation of the acquisition. The acquisition will not be consummated unless the proposal to change Endeavor s name is approved at the meeting. If the acquisition proposal is not approved, the name change amendment will not be presented at the meeting.

In the judgment of Endeavor s board of directors, the change of Endeavor s corporate name is desirable to reflect Endeavor s acquisition of American Apparel . The American Apparel name has been a recognized name in retail clothing industry for several years and has meaningful brand identity.

The approval of the name change amendment will require the affirmative vote of the holders of a majority of the outstanding shares of Endeavor common stock on the record date.

Stockholders will not be required to exchange outstanding stock certificates for new stock certificates if the amendment is adopted.

ENDEAVOR S BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT ENDEAVOR S STOCKHOLDERS VOTE FOR THE APPROVAL OF THE NAME CHANGE AMENDMENT. THE ACQUISITION PROPOSAL WILL NOT BE IMPLEMENTED IF THE NAME CHANGE AMENDMENT IS NOT APPROVED.

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CAPITALIZATION AMENDMENT PROPOSAL

Pursuant to the Acquisition Agreement, we will increase the number of authorized shares of Endeavor common stock from 75,000,000 to 120,000,000 upon consummation of the acquisition. The acquisition will not be consummated unless the proposal to increase Endeavor s capitalization is approved at the meeting. If the acquisition proposal is not approved, the capitalization amendment will not be presented at the meeting.

In the judgment of Endeavor s board of directors, the increase in Endeavor s capitalization is desirable and in Endeavor s stockholders best interests. Currently, we have 19,910,745 shares of Endeavor s common stock outstanding and we will be issuing up to an additional 32,258,065 shares of common stock upon consummation of the acquisition. Additionally, we have reserved 16,160,745 shares of common stock issuable upon exercise of warrants and 700,000 shares issuable upon exercise of the unit purchase option (and the warrants included therein) issued in Endeavor s IPO. We will also need to reserve 2,710,000 shares of common stock in connection with Endeavor s performance equity plan proposal discussed below. The authorization of additional shares of common stock will enable us to have the flexibility to authorize the issuance of shares of common stock in the future for financing Endeavor s business, for acquiring other businesses, for forming strategic partnerships and alliances and for stock dividends and stock splits. As of the date of this proxy statement, Endeavor has no agreements or understandings with respect to any such financing, acquisition, strategic partnership, alliance, dividend or split.

While the board of Endeavor believes it in the best interest of Endeavor and its stockholders to increase Endeavor s operating flexibility by increasing the amounts of its available capitalization, it should be noted that if the capitalization amendment proposal is approved, Endeavor will have a significant number of shares of capital stock available for use and unreserved for a specific purpose. This will enable the board of directors of Endeavor to issue a significant number of shares of common stock in their discretion without stockholder approval. Any such issuance could have a material dilutive effect on the then existing holders of Endeavor common stock. In addition, the board could utilize the available and unreserved common stock to prevent or discourage parties from seeking to acquire Endeavor or its common stock, including in a tender offer or other takeover bid that might otherwise enhance the value of the holdings of Endeavor stockholders.

The approval of the capitalization amendment will require the affirmative vote of the holders of a majority of the outstanding shares of Endeavor common stock on the record date.

ENDEAVOR S BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT ENDEAVOR S STOCKHOLDERS VOTE FOR THE APPROVAL OF THE CAPITALIZATION AMENDMENT. THE ACQUISITION PROPOSAL WILL NOT BE IMPLEMENTED IF THE CAPITALIZATION AMENDMENT IS NOT APPROVED.

ARTICLE SIXTH AMENDMENT PROPOSAL

Pursuant to the Acquisition Agreement, we will remove the preamble and sections A through D, inclusive, of Article Sixth of Endeavor s certificate of incorporation and redesignate section E of Article Sixth as Article Sixth upon consummation of the acquisition. If the acquisition proposal is not approved, the Article Sixth amendment will not be presented at the meeting.

The current Article SIXTH of Endeavor s certificate of incorporation reads as follows:

SIXTH: The following provisions (A) through (E) shall apply during the period commencing upon the filing of this Certificate of Incorporation and terminating upon the consummation of any Business Combination, and may not be amended prior to the consummation of any Business Combination. A Business Combination shall mean the acquisition by the Corporation, whether by merger, capital stock exchange, asset or stock acquisition or other similar type of transaction, of an operating business in the healthcare, or healthcare related, industry (Target Business).

A. Prior to the consummation of any Business Combination, the Corporation shall submit such Business Combination to its stockholders for approval regardless of whether the Business Combination is of a type which normally would require such stockholder approval under the GCL. In the event that a majority of the IPO Shares (defined below) cast at the meeting to approve the Business Combination are voted for the approval of such Business Combination, the Corporation shall be authorized to consummate the Business Combination; provided that the Corporation shall not consummate any Business Combination if 20% or more in interest of the holders of IPO Shares exercise their conversion rights described in paragraph B below.

B. In the event that a Business Combination is approved in accordance with the above paragraph (A) and is consummated by the Corporation, any stockholder of the Corporation holding shares of Common Stock (IPO Shares) issued in the Corporation s initial public offering (IPO) of securities who voted against the Business Combination may, contemporaneous with such vote, demand that the Corporation convert his IPO Shares into cash. If so demanded, the Corporation shall, promptly after consummation of the Business Combination, convert such shares into cash at a per share conversion price equal to the quotient determined by dividing (i) the amount in the Trust Fund (as defined below), inclusive of any interest thereon, calculated as of two business days prior to the consummation of the Business Combination, by (ii) the total number of IPO Shares. Trust Fund shall mean the trust account established by the Corporation at the consummation of its IPO and into which a certain amount of the net proceeds of the IPO are deposited.

C. In the event that the Corporation does not consummate a Business Combination by the later of (i) 18 months after the consummation of the IPO or (ii) 24 months after the consummation of the IPO in the event that either a letter of intent, an agreement in principle or a definitive agreement to complete a Business Combination was executed but was not consummated within such 18 month period (such later date being referred to as the Termination Date), the officers of the Corporation shall take all such action necessary to dissolve and liquidate the Corporation as soon as reasonably practicable. In the event that the Corporation is so dissolved and liquidated, only the holders of IPO Shares shall be entitled to receive liquidating distributions and the Corporation shall pay no liquidating distributions with respect to any other shares of capital stock of the Corporation.

D. A holder of IPO Shares shall be entitled to receive distributions from the Trust Fund only in the event of a liquidation of the Corporation or in the event he demands conversion of his shares in accordance with paragraph B, above. In no other circumstances shall a holder of IPO Shares have any right or interest of any kind in or to the Trust Fund.

E. The Board of Directors shall be divided into three classes: Class A, Class B and Class C. The number of directors in each class shall be as nearly equal as possible. At the first election of directors by the incorporator,

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the incorporator shall elect a Class C director for a term expiring at the Corporation s third Annual Meeting of Stockholders. The Class C director shall then appoint additional Class A, Class B and Class C directors, as necessary. The directors in Class A shall be elected for a term expiring at the first Annual Meeting of Stockholders, the directors in Class B shall be elected for a term expiring at the second Annual Meeting of Stockholders and the directors in Class C shall be elected for a term expiring at the third Annual Meeting of Stockholders. Commencing at the first Annual Meeting of Stockholders, and at each annual meeting thereafter, directors elected to succeed those directors whose terms expire shall be elected for a term of office to expire at the third succeeding annual meeting of stockholders after their election. Except as the GCL may otherwise require, in the interim between annual meetings of stockholders or special meetings of stockholders called for the election of directors and/or the removal of one or more directors and the filling of any vacancy in that connection, newly created directorships and any vacancies in the Board of Directors, including unfilled vacancies resulting from the removal of directors for cause, may be filled by the vote of a majority of the remaining directors then in office, although less than a quorum (as defined in the Corporation s Bylaws), or by the sole remaining director. All directors shall hold office until the expiration of their respective terms of office and until their successors shall have been elected and qualified. A director elected to fill a vacancy resulting from the death, resignation or removal of a director shall serve for the remainder of the full term of the director whose death, resignation or removal shall have created such vacancy and until his successor shall have been elected and qualified.

Article SIXTH of Endeavor s amended and restated certificate of incorporation will be restated as follows:

SIXTH: The Board of Directors shall be divided into three classes: Class A, Class B and Class C. The number of directors in each class shall be as nearly equal as possible. The directors in Class A shall be elected for a term expiring at the first annual meeting of stockholders, the directors in Class B shall be elected for a term expiring at the second annual meeting of stockholders and the directors in Class C shall be elected for a term expiring at the third annual meeting of stockholders. Commencing at the first annual meeting of stockholders, and at each annual meeting thereafter, directors elected to succeed those directors whose terms expire shall be elected for a term of office to expire at the third succeeding annual meeting of stockholders after their election. Except as the GCL may otherwise require, in the interim between annual meetings of stockholders or special meetings of stockholders called for the election of directors and/or the removal of one or more directors and the filling of any vacancy in that connection, newly created directorships and any vacancies in the Board of Directors, including unfilled vacancies resulting from the removal of directors for cause, may be filled by the vote of a majority of the remaining directors then in office, although less than a quorum (as defined in the Corporation s Bylaws), or by the sole remaining director. All directors shall hold office until the expiration of their respective terms of office and until their successors shall have been elected and qualified. A director elected to fill a vacancy resulting from the death, resignation or removal of a director shall serve for the remainder of the full term of the director whose death, resignation or removal shall have created such vacancy and until his successor shall have been elected and qualified.

In the judgment of Endeavor s board of directors, the Article Sixth amendment is desirable, as sections A through D relate to the operation of Endeavor as a blank check company prior to the consummation of a business combination. Such sections will not be applicable upon consummation of the acquisition.

The approval of the Article Sixth amendment will require the affirmative vote of the holders of a majority of the outstanding shares of Endeavor common stock on the record date.

ENDEAVOR S BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT ENDEAVOR S STOCKHOLDERS VOTE FOR THE APPROVAL OF THE ARTICLE SIXTH AMENDMENT.

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2007 PERFORMANCE EQUITY PLAN PROPOSAL

Background

Endeavor s 2007 Performance Equity Plan has been approved by Endeavor s board of directors and will take effect upon consummation of the acquisition, provided that it is approved by the stockholders at the special meeting. We are submitting the plan to Endeavor s stockholders for their approval in order to comply with American Stock Exchange policy and so that options granted under the plan may qualify for treatment as incentive stock options.

The plan reserves 2,710,000 shares of Endeavor common stock for issuance in accordance with its terms. The purpose of the plan is to enable Endeavor to offer its employees, officers, directors and consultants whose past, present and/or potential contributions to Endeavor have been, are or will be important to the success of Endeavor, an opportunity to acquire a proprietary interest in Endeavor. The various types of incentive awards that may be provided under the plan will enable Endeavor to respond to changes in compensation practices, tax laws, accounting regulations and the size and diversity of its business.

All officers, directors and employees of American Apparel and Endeavor will be eligible to be granted awards under the plan. No allocations of shares that may be subject to awards have been made in respect of the executive officers or any other group. All awards will be subject to the recommendations of the compensation committee and approval by the board of directors or the compensation committee.

A summary of the principal features of the plan is provided below, but is qualified in its entirety by reference to the full text of the plan, which is attached to this proxy statement as *Annex C*.

Administration

The plan will be administered by Endeavor s board or compensation committee thereof. Subject to the provisions of the plan, the board or committee determines, among other things, the persons to whom from time to time awards may be granted, the specific type of awards to be granted, the number of shares subject to each award, share prices, any restrictions or limitations on the awards, and any vesting, exchange, deferral, surrender, cancellation, acceleration, termination, exercise or forfeiture provisions related to the awards.

Stock Subject to the Plan

Shares of stock subject to other awards that are forfeited or terminated will be available for future award grants under the plan. If a holder pays the exercise price of a stock option by surrendering any previously owned shares of common stock or arranges to have the appropriate number of shares otherwise issuable upon exercise withheld to cover the withholding tax liability associated with the stock option exercise, then in the Board s or the committee s discretion, the number of shares available under the plan may be increased by the lesser of the number of such surrendered shares and shares used to pay taxes and the number of shares purchased under the stock option.

Under the plan, on a change in the number of shares of Endeavor s common stock as a result of a dividend on shares of common stock payable in shares of common stock, common stock split or reverse split or other extraordinary or unusual event that results in a change in the shares of common stock as a whole, the board or committee may determine whether the change requires equitably adjusting the terms of the award or the aggregate number of shares reserved for issuance under the plan.

Eligibility

Endeavor may grant awards under the plan to employees, officers, directors and consultants who are deemed to have rendered, or to be able to render, significant services to Endeavor and who are deemed to have contributed, or to have the potential to contribute, to Endeavor s success. Notwithstanding anything to the contrary, the Company shall not grant to any one holder in any one calendar year awards for more than 200,000 shares in the aggregate.

Types of Awards

Options. The plan provides both for incentive stock options as defined in Section 422 of the Internal Revenue Code of 1986, as amended, and for options not qualifying as incentive options, both of which may be granted with any other stock-based award under the plan. The board or committee determines the exercise price per share of common stock purchasable under an incentive or non-qualified stock option, which may not be less than 100% of the fair market value on the day of the grant or, if greater, the par value of a share of common stock. However, the exercise price of an incentive stock option granted to a person possessing more than 10% of the total combined voting power of all classes of Endeavor s stock may not be less than 110% of the fair market value on the date of grant. The number of shares covered by incentive stock options that may be exercised by any participant during any calendar year cannot have an aggregate fair market value in excess of $100,000, measured at the date of grant.

An incentive stock option may only be granted within a ten-year period from the date of the consummation of acquisition and may only be exercised within ten years from the date of the grant, or within five years in the case of an incentive stock option granted to a person who, at the time of the grant, owns common stock possessing more than 10% of the total combined voting power of all classes of Endeavor s stock. Subject to any limitations or conditions the board or committee may impose, stock options may be exercised, in whole or in part, at any time during the term of the stock option by giving written notice of exercise to us specifying the number of shares of common stock to be purchased. The notice must be accompanied by payment in full of the purchase price, either in cash or, if provided in the agreement, in Endeavor s securities or any combination of the two.

Generally, stock options granted under the plan may not be transferred other than by will or by the laws of descent and distribution and all stock options are exercisable during the holder s lifetime, or in the event of legal incapacity or incompetency, the holder s guardian or legal representative. However, a holder, with the approval of the board or committee, may transfer a non-qualified stock option by gift to a family member of the holder, by domestic relations order to a family member of the holder or by transfer to an entity in which more than fifty percent of the voting interests are owned by family members of the holder or the holder, in exchange for an interest in that entity.

Generally, if the holder is an employee, no stock options granted under the plan may be exercised by the holder unless he or she is employed by Endeavor or a subsidiary of Endeavor at the time of the exercise and has been so employed continuously from the time the stock options were granted. However, in the event the holder s employment is terminated due to disability, the holder may still exercise his or her vested stock options for a period of 12 months or such other greater or lesser period as the board or committee may determine, from the date of termination or until the expiration of the stated term of the stock option, whichever period is shorter. Similarly, should a holder die while employed by us or a subsidiary, his or her legal representative or legatee under his or her will may exercise the decedent holder s vested stock options for a period of 12 months from the date of his or her death, or such other greater or lesser period as the board or committee may determine or until the expiration of the stated term of the stock option, whichever period is shorter. If the holder s employment is terminated for any reason other than death, disability or normal retirement, the stock option will automatically terminate, except that if the holder s employment is terminated by us without cause or due to normal retirement, then the portion of any stock option that has vested on the date of termination may be exercised for the lesser of three months after termination of employment, or the balance of the stock option s term.

Stock Appreciation Rights. Under the plan, Endeavor may grant stock appreciation rights to participants who have been, or are being, granted stock options under the plan as a means of allowing the participants to exercise

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their stock options without the need to pay the exercise price in cash. In conjunction with non-qualified stock options, stock appreciation rights may be granted either at or after the time of the grant of the non-qualified stock options. In conjunction with incentive stock options, stock appreciation rights may be granted only at the time of the grant of the incentive stock options. A stock appreciation right entitles the holder to receive a number of shares of common stock having a fair market value equal to the excess fair market value of one share of common stock over the exercise price of the related stock option, multiplied by the number of shares subject to the stock appreciation rights. The granting of a stock appreciation right will not affect the number of shares of common stock available for awards under the plan. The number of shares available for awards under the plan will, however, be reduced by the number of shares of common stock acquirable upon exercise of the stock option to which the stock appreciation right relates.

Restricted Stock. Under the plan, Endeavor may award shares of restricted stock either alone or in addition to other awards granted under the plan. The board or committee determines the persons to whom grants of restricted stock are made, the number of shares to be awarded, the price if any to be paid for the restricted stock by the person receiving the stock from us, the time or times within which awards of restricted stock may be subject to forfeiture, the vesting schedule and rights to acceleration thereof, and all other terms and conditions of the restricted stock awards.

Restricted stock awarded under the plan may not be sold, exchanged, assigned, transferred, pledged, encumbered or otherwise disposed of, other than to us, during the applicable restriction period. In order to enforce these restrictions, the plan requires that all shares of restricted stock awarded to the holder remain in Endeavor s physical custody until the restrictions have terminated and all vesting requirements with respect to the restricted stock have been fulfilled. Other than regular cash dividends and other cash equivalent distributions as we may designate, pay or distribute, we will retain custody of all distributions made or declared with respect to the restricted stock during the restriction period. A breach of any restriction regarding the restricted stock will cause a forfeiture of the restricted stock and any retained distributions. Except for the foregoing restrictions, the holder will, even during the restriction period, have all of the rights of a stockholder, including the right to receive and retain all regular cash dividends and other cash equivalent distributions as we may designate, pay or distribute on the restricted stock and the right to vote the shares.

Deferred Stock. Under the plan, Endeavor may award shares of deferred stock either alone or in addition to other awards granted under the plan. The board or committee determines the eligible persons to whom, and the time or times at which, deferred stock will be awarded, the number of shares of deferred stock to be awarded to any person, the duration of the period during which, and the conditions under which, receipt of the stock will be deferred, and all the other terms and conditions of deferred stock awards.

Deferred stock awards granted under the plan may not be sold, exchanged, assigned, transferred, pledged, encumbered or otherwise disposed of other than to Endeavor during the applicable deferral period. The holder shall not have any rights of a stockholder until the expiration of the applicable deferral period and the issuance and delivery of the certificates representing the common stock. The holder may request to defer the receipt of a deferred stock award for an additional specified period or until a specified event. This request must generally be made at least one year prior to the expiration of the deferral period for the deferred stock award.

Stock Reload Options. Under the plan, Endeavor may grant stock reload options to a holder who tenders shares of common stock to pay the exercise price of a stock option or arranges to have a portion of the shares otherwise issuable upon exercise withheld to pay the applicable withholding taxes. A stock reload option permits a holder who exercises a stock option by delivering stock owned by the holder for a minimum of six months to receive a new stock option at the current market price for the same number of shares delivered to exercise the option. The board or committee determines the terms, conditions, restrictions and limitations of the stock reload options. The exercise price of stock reload options shall be the fair market value as of the date of exercise of the underlying option. Unless otherwise determined, a stock reload option may be exercised commencing one year after it is granted and expires on the expiration date of the underlying option.

Other Stock-Based Awards. Under the plan, Endeavor may grant other stock-based awards, subject to limitations under applicable law, that are denominated or payable in, valued in whole or in part by reference to, or otherwise based on, or related to, shares of common stock, as deemed consistent with the purposes of the plan. These other stock-based awards may be in the form of purchase rights, shares of common stock awarded that are not subject to any restrictions or conditions, convertible or exchangeable debentures or other rights convertible into shares of common stock and awards valued by reference to the value of securities of, or the performance of, one of Endeavor s subsidiaries. These other stock-based awards may be awarded either alone, in addition to, or in tandem with any other awards under the plan or any of Endeavor s other plans.

Accelerated Vesting and Exercisability. Unless otherwise provided in the grant of an award, if any person, as defined in Sections 13(d) and 14(d) of the Securities and Exchange Act of 1934, as amended (Exchange Act), is or becomes the beneficial owner, as referred in Rule 13d-3 under the Exchange Act, directly or indirectly, of Endeavor s securities representing 50% or more of the combined voting power of Endeavor s then outstanding voting securities in one or more transactions, and Endeavor s board of directors does not authorize or approve the acquisition, then the vesting periods with respect to awards granted and outstanding under the plan will be accelerated and will immediately vest, and each participant of an award will have the immediate right to purchase and receive all shares of Endeavor s common stock subject to the award in accordance with the terms set forth in the plan and in the corresponding award agreements.

Unless otherwise provided in the grant of an award, the compensation committee may, in the event of an acquisition of substantially all of Endeavor s assets or at least 50% of the combined voting power of Endeavor s then outstanding securities in one or more transactions, including by way of merger or reorganization, which has been approved by Endeavor s board of directors, accelerate the vesting of any and all awards granted and outstanding under the plan.

Repurchases. Unless otherwise provided in the grant of an award, the compensation committee may, in the event of an acquisition of substantially all of Endeavor s assets or at least 50% of the combined voting power of Endeavor s then outstanding securities in one or more transactions, including by way of merger or reorganization, which has been approved by Endeavor s board of directors, require a holder of any award granted under the plan to relinquish the award to Endeavor upon payment by Endeavor to the holder of cash in an amount equal to the fair market value of the award or $0.01 per share for awards that are out-of-the money.

Competition; Solicitation of Customers and Employees; Disclosure of Confidential Information

If a holder s employment with Endeavor or a subsidiary of Endeavor is terminated for any reason whatsoever and within 12 months after the date of termination, the holder either:

- accepts employment with any competitor of, or otherwise engages in competition with, Endeavor,
- solicits any of Endeavor s customers or employees to do business with or render services to the holder or any business with which the holder becomes affiliated or to which the holder renders services, or
- uses or discloses to anyone outside Endeavor any of Endeavor s confidential information or material in violation of Endeavor s policies or any agreement between Endeavor and the holder,

the board or the committee may require the holder to return to Endeavor the economic value of any award that was realized or obtained by the holder at any time during the period beginning on the date that is 12 months prior to the date the holder s employment with Endeavor is terminated.

Withholding Taxes

Upon the exercise of any award granted under the plan, the holder may be required to remit to Endeavor an amount sufficient to satisfy all federal, state and local withholding tax requirements prior to delivery of any certificate or certificates for shares of common stock.

Term and Amendments

Unless terminated by the board, the plan shall continue to remain effective until no further awards may be granted and all awards granted under the plan are no longer outstanding. Notwithstanding the foregoing, grants of incentive stock options may be made only until ten years from the date of the consummation of the acquisition. The board may at any time, and from time to time, amend the plan, provided that no amendment will be made that would impair the rights of a holder under any agreement entered into pursuant to the plan without the holder s consent.

Federal Income Tax Consequences

The following discussion of the federal income tax consequences of participation in the plan is only a summary of the general rules applicable to the grant and exercise of stock options and other awards and does not give specific details or cover, among other things, state, local and foreign tax treatment of participation in the plan. The information contained in this section is based on present law and regulations, which are subject to being changed prospectively or retroactively.

Incentive stock options. Participants will recognize no taxable income upon the grant or exercise of an incentive stock option. The participant will realize no taxable income when the incentive stock option is exercised if the participant has been an employee of Endeavor or any of Endeavor s subsidiaries at all times from the date of the grant until three months before the date of exercise, one year if the participant is disabled. The excess, if any, of the fair market value of the shares on the date of exercise of an incentive stock option over the exercise price will be treated as an item of adjustment for a participant s taxable year in which the exercise occurs and may result in an alternative minimum tax liability for the participant. Endeavor will not qualify for any deduction in connection with the grant or exercise of incentive stock options. Upon a disposition of the shares after the later of two years from the date of grant or one year after the transfer of the shares to a participant, the participant will recognize the difference, if any, between the amount realized and the exercise price as long-term capital gain or long-term capital loss, as the case may be, if the shares are capital assets.

If common stock acquired upon the exercise of an incentive stock option is disposed of prior to the expiration of the holding periods described above: the participant will recognize ordinary compensation income in the taxable year of disposition in an amount equal to the excess, if any, of the lesser of the fair market value of the shares on the date of exercise or the amount realized on the disposition of the shares, over the exercise price paid for the shares; and Endeavor will qualify for a deduction equal to any amount recognized, subject to the limitation that the compensation be reasonable.

In the case of a disposition of shares earlier than two years from the date of the grant or in the same taxable year as the exercise, where the amount realized on the disposition is less than the fair market value of the shares on the date of exercise, there will be no adjustment since the amount treated as an item of adjustment, for alternative minimum tax purposes, is limited to the excess of the amount realized on the disposition over the exercise price, which is the same amount included in regular taxable income.

Non-incentive stock options.

With respect to non-incentive stock options:

- upon grant of the stock option, the participant will recognize no income provided that the exercise price was not less than the fair market value of Endeavor s common stock on the date of grant;

- upon exercise of the stock option, if the shares of common stock are not subject to a substantial risk of forfeiture, the participant will recognize ordinary compensation income in an amount equal to the excess, if any, of the fair market value of the shares on the date of exercise over the exercise price, and Endeavor will qualify for a deduction in the same amount, subject to the requirement that the compensation be reasonable; and

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Endeavor will be required to comply with applicable federal income tax withholding requirements with respect to the amount of ordinary compensation income recognized by the participant.

On a disposition of the shares, the participant will recognize gain or loss equal to the difference between the amount realized and the sum of the exercise price and the ordinary compensation income recognized. The gain or loss will be treated as capital gain or loss if the shares are capital assets and as short-term or long-term capital gain or loss, depending upon the length of time that the participant held the shares.

If the shares acquired upon exercise of a non-incentive stock option are subject to a substantial risk of forfeiture, the participant will recognize ordinary income at the time when the substantial risk of forfeiture is removed, unless the participant timely files under Section 83(b) of the Code to elect to be taxed on the receipt of shares, and Endeavor will qualify for a corresponding deduction at that time. The amount of ordinary income will be equal to the excess of the fair market value of the shares at the time the income is recognized over the amount, if any, paid for the shares.

Stock appreciation rights. Upon the grant of a stock appreciation right, the participant recognizes no taxable income and Endeavor receives no deduction. The participant recognizes ordinary income and Endeavor receives a deduction at the time of exercise equal to the cash and fair market value of common stock payable upon the exercise.

Restricted stock. A participant who receives restricted stock will recognize no income on the grant of the restricted stock and Endeavor will not qualify for any deduction. At the time the restricted stock is no longer subject to a substantial risk of forfeiture, a participant will recognize ordinary compensation income in an amount equal to the excess, if any, of the fair market value of the restricted stock at the time the restriction lapses over the consideration paid for the restricted stock. A participant s shares are treated as being subject to a substantial risk of forfeiture so long as his or her sale of the shares at a profit could subject him or her to a suit under Section 16(b) of the Exchange Act. The holding period to determine whether the participant has long-term or short-term capital gain or loss begins when the restriction period expires, and the tax basis for the shares will generally be the fair market value of the shares on this date.

A participant may elect under Section 83(b) of the Code, within 30 days of the transfer of the restricted stock, to recognize ordinary compensation income on the date of transfer in an amount equal to the excess, if any, of the fair market value on the date of transfer of the shares of restricted stock, as determined without regard to the restrictions, over the consideration paid for the restricted stock. If a participant makes an election and thereafter forfeits the shares, no ordinary loss deduction will be allowed. The forfeiture will be treated as a sale or exchange upon which there is realized loss equal to the excess, if any, of the consideration paid for the shares over the amount realized on such forfeiture. The loss will be a capital loss if the shares are capital assets. If a participant makes an election under Section 83(b), the holding period will commence on the day after the date of transfer and the tax basis will equal the fair market value of shares, as determined without regard to the restrictions, on the date of transfer.

On a disposition of the shares, a participant will recognize gain or loss equal to the difference between the amount realized and the tax basis for the shares.

Whether or not the participant makes an election under Section 83(b), Endeavor generally will qualify for a deduction, subject to the reasonableness of compensation limitation, equal to the amount that is taxable as ordinary income to the participant, in the taxable year in which the income is included in the participant s gross income. The income recognized by the participant will be subject to applicable withholding tax requirements.

Dividends paid on restricted stock that is subject to a substantial risk of forfeiture generally will be treated as compensation that is taxable as ordinary compensation income to the participant and will be deductible by Endeavor, subject to the reasonableness limitation. If, however, the participant makes a Section 83(b) election, the dividends will be treated as dividends and taxable as ordinary income to the participant, but will not be deductible by Endeavor.

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Deferred stock. A participant who receives an award of deferred stock will recognize no income on the grant of the award. However, he or she will recognize ordinary compensation income on the transfer of the deferred stock, or the later lapse of a substantial risk of forfeiture to which the deferred stock is subject, if the participant does not make a Section 83(b) election, in accordance with the same rules as discussed above under the caption Restricted Stock.

Other stock-based awards. The federal income tax treatment of other stock-based awards will depend on the nature and restrictions applicable to the award.

Certain Awards Deferring or Accelerating the Receipt of Compensation. Section 409A of the Code, enacted as part of the American Jobs Creation Act of 2004, imposes certain new requirements applicable to nonqualified deferred compensation plans. If a nonqualified deferred compensation plan subject to Section 409A fails to meet, or is not operated in accordance with, these new requirements, then all compensation deferred under the plan may become immediately taxable. Stock appreciation rights and deferred stock awards that may be granted under the plan may constitute deferred compensation subject to the Section 409A requirements. It is Endeavor s intention that any award agreement governing awards subject to Section 409A will comply with these new rules.

Recommendation and Vote Required

Approval of Endeavor s performance equity plan will require the affirmative vote of the holders of a majority of the outstanding shares of Endeavor s common stock represented in person or by proxy and entitled to vote at the meeting.

ENDEAVORS BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT ENDEAVOR S STOCKHOLDERS VOTE FOR THE APPROVAL OF THE 2007 PERFORMANCE EQUITY PLAN.

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THE ADJOURNMENT PROPOSAL

The adjournment proposal allows Endeavor s board of directors to submit a proposal to adjourn the special meeting to a later date or dates, if necessary, to permit further solicitation of proxies in the event, based on the tabulated votes, there are not sufficient votes at the time of the special meeting to approve the consummation of the acquisition. In no event will Endeavor solicit proxies to adjourn the special meeting or consummate the acquisition beyond the date by which it may properly do so under its certificate of incorporation and Delaware law.

Consequences if Adjournment Proposal Is Not Approved

If an adjournment proposal is presented to the meeting and is not approved by the stockholders, Endeavor s board of directors may not be able to adjourn the special meeting to a later date in the event, based on the tabulated votes, there are not sufficient votes at the time of the special meeting to approve the consummation of the acquisition. In such event, Endeavor will be required to liquidate.

Required Vote

Adoption of the adjournment proposal requires the affirmative vote of a majority of the issued and outstanding shares of Endeavor s common stock represented in person or by proxy at the meeting. Adoption of the adjournment proposal is not conditioned upon the adoption of any of the other proposals.

OUR BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT OUR STOCKHOLDERS VOTE FOR THE APPROVAL OF AN ADJOURNMENT PROPOSAL, IF PRESENTED.

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OTHER INFORMATION RELATED TO ENDEAVOR

Business of Endeavor

Endeavor was formed on July 22, 2005, to effect a merger, capital stock exchange, asset acquisition or other similar business combination with an unidentified operating business. Prior to executing the Acquisition Agreement with American Apparel, Endeavor s efforts were limited to organizational activities, completion of its IPO and the evaluation of possible business combinations.

Offering Proceeds Held in Trust

Endeavor consummated its IPO on December 21, 2005. The net proceeds of the offering, including the exercise of the underwriters over-allotment option, and after payment of underwriting discounts and expenses were approximately $129 million. Of that amount, approximately $121 million was placed in the trust account and invested in government securities. The remaining proceeds have been used by Endeavor in its pursuit of a business combination. The trust account will not be released until the earlier of the consummation of a business combination or the liquidation of Endeavor. The trust account contained approximately $ as of , 2007, the record date.

If the acquisition with American Apparel is consummated, the trust account will be released to Endeavor and used to pay various losses and expenses and other payments required in connection with the acquisition including:

- amounts payable to Mr. Lim for direct purchase by Endeavor of his equity ownership of American Apparel, in the event Mr. Charney fails to affect the Lim Buyout;
- amounts owed to stockholders of Endeavor who do not approve the acquisition and elect to convert their shares of common stock into their pro rata share of the trust account;
- professional fees; and
- other transaction costs

The remaining proceeds could potentially be used to pay off the existing debt of American Apparel; fund working capital increases going forward; acquire other businesses; pay dividends; or repurchase Endeavor common stock or warrants. Even if the existing debt is paid down, it is likely that American Apparel will continue to maintain available lines of credit on an asset-backed basis in order to fund working capital needs in the future.

Fair Market Value of Target Business

Pursuant to Endeavor s certificate of incorporation, the initial target business that Endeavor acquires must have a fair market value equal to at least 80% of Endeavor s net assets at the time of such acquisition. Endeavor s board of directors determined that this test was met in connection with its acquisition of American Apparel. Further, Endeavor has received an opinion from Jefferies to the effect that the fair market value of American Apparel was at least equal to 80% of Endeavor s net assets.

Stockholder Approval of Business Combination

The approval of the acquisition proposal will require the affirmative vote of holders of a majority of the shares of Endeavor common stock sold in Endeavor s IPO that are present in person or represented by proxy and entitled to vote at the special meeting. If the holders of 20% or more of the shares of the common stock issued in Endeavor s IPO both vote against the acquisition proposal and properly demand that Endeavor convert their shares into a pro rata portion of Endeavor s trust account, calculated as of two business days prior to the

anticipated date of the consummation of the acquisition, then the acquisition will not be consummated and Endeavor will be forced to liquidate. The Endeavor Inside Stockholders have agreed to vote their common stock they purchased prior to the IPO on the acquisition proposal in accordance with the vote of holders of a majority of the outstanding shares of Endeavor s common stock. The Endeavor Inside Stockholders also have indicated that they intend to vote their Original Shares in favor of all other proposals being presented at the meeting. These Endeavor Inside Stockholders have also indicated they intend to vote any shares they acquired after the IPO for all of the proposals. As of the record date, the Endeavor Inside Stockholders have not acquired any additional shares of Endeavor common stock since the IPO.

Liquidation if No Business Combination

Endeavor s certificate of incorporation provides for mandatory liquidation of Endeavor in the event that Endeavor does not consummate a business combination within 18 months from the date of consummation of its IPO, or 24 months from the consummation of the IPO if certain extension criteria have been satisfied. Such dates are June 21, 2007 and December 21, 2007, respectively. Endeavor signed a letter of intent with American Apparel on November 22, 2006 and signed a definitive acquisition agreement with American Apparel on December 18, 2006. As a result of having signed the letter of intent, Endeavor satisfied the extension criteria and now has until December 21, 2007 to complete the acquisition.

If Endeavor does not complete the acquisition by December 21, 2007, Endeavor will be dissolved pursuant to Section 275 of the Delaware General Corporation Law. In connection with such dissolution, the expected procedures of which are set forth below, Endeavor will distribute to all of its public stockholders, in proportion to their respective equity interests, an aggregate sum equal to the amount in the trust account, inclusive of any interest, plus remaining assets. The Endeavor Inside Stockholders have waived their rights to participate in any liquidation distribution with respect to shares of common stock owned by them immediately prior to the IPO. There will be no distribution from the trust account with respect to Endeavor s warrants.

It is anticipated that, if Endeavor is unable to complete the business combination with American Apparel, the following will occur:

- Endeavor s board of directors will convene and adopt a specific plan of dissolution and liquidation, which it will then vote to recommend to Endeavor s stockholders; at such time it will also cause to be prepared a preliminary proxy statement setting out such plan of dissolution and liquidation as well as the board s recommendation of such plan;

- Endeavor will promptly file a preliminary proxy statement with the Securities and Exchange Commission;

- if the Securities and Exchange Commission does not review the preliminary proxy statement, then, 10 days following the filing of such preliminary proxy statement, Endeavor will mail the definitive proxy statement to its stockholders, and 10 to 20 days following the mailing of such definitive proxy statement, Endeavor will convene a meeting of its stockholders, at which they will vote on the plan of dissolution and liquidation; and

- if the Securities and Exchange Commission does review the preliminary proxy statement, Endeavor currently estimates that it would receive their comments 30 days after the filing of such proxy statement. Endeavor would then mail the definitive proxy statement to its stockholders following the conclusion of the comment and review process (the length of which cannot be predicted with any certainty, and which may be substantial) and Endeavor will convene a meeting of its stockholders at which they will vote on the plan of dissolution and liquidation.

Endeavor expects that all costs associated with the implementation and completion of Endeavor s plan of dissolution and liquidation will be funded by any remaining net assets not held in the trust account, although Endeavor cannot assure you that there will be sufficient funds for such purpose. If such funds are insufficient, it

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is anticipated that Endeavor s management will advance the funds necessary to complete such dissolution and liquidation (currently anticipated to be no more than approximately $50,000).

Endeavor will not liquidate the trust account unless and until its stockholders approve such plan of dissolution and liquidation. Accordingly, the foregoing procedures may result in substantial delays in Endeavor s liquidation and the distribution to its public stockholders of the funds in the trust account and any remaining net assets as part of Endeavor s plan of dissolution and liquidation.

If Endeavor were to expend all of the net proceeds of the IPO, other than the proceeds deposited in the trust account, the per share liquidation price as of , 2007, the record date, would be approximately $, or $ less than the per-unit offering price of $8.00 in Endeavor s IPO. The proceeds deposited in the trust account could, however, become subject to the claims of Endeavor s creditors and there is no assurance that the actual per share liquidation price will not be less than $, due to those claims. If Endeavor liquidates prior to the consummation of a business combination, Mr. Watson and Mr. Ledecky, chairman of the board and president, respectively, of Endeavor will be personally liable to pay debts and obligations to vendors and other entities that are owed money by Endeavor for services rendered or products sold to Endeavor, or to any target business, to the extent such creditors bring claims that would otherwise require payment from moneys in the trust account. There is no assurance, however, that they would be able to satisfy those obligations. However, because Endeavor was obligated to have, and subsequently did have, all vendors and service providers that we engaged and owe money to, and the prospective target businesses we had negotiated with, waive any right, title, interest or claim of any kind they may have had in or to any monies held in the trust account, Endeavor believes the likelihood of Messrs. Watson and Ledecky having to pay any such debts and obligations is minimal. Nevertheless, we cannot assure you that the per share distribution from the trust fund, if Endeavor liquidates, will not be less than $, plus interest, then held in the trust fund due to claims of creditors.

Additionally, if Endeavor is forced to file a bankruptcy case or an involuntary bankruptcy case is filed against Endeavor that is not dismissed, the proceeds held in the trust account could be subject to applicable bankruptcy law, and may be included in the bankruptcy estate and subject to the claims of third parties with priority over the claims of Endeavor s stockholders. Also, in any such case, any distributions received by stockholders in Endeavor s dissolution might be viewed under applicable debtor/creditor or bankruptcy laws as either a preferential transfer or a fraudulent conveyance. As a result, a bankruptcy court could seek to recover all amounts received by Endeavor s stockholders in the dissolution. Furthermore, because Endeavor intends to distribute the proceeds held in the trust account to its public stockholders as soon as possible after dissolution, this may be viewed or interpreted as giving preference to the public stockholders over any potential creditors with respect to access to or distributions from Endeavor s assets. In addition, Endeavor s board of directors may be viewed as having breached their fiduciary duties to Endeavor s creditors or may have acted in bad faith, thereby exposing itself and Endeavor s company to claims of punitive damages, by paying public stockholders from the trust account prior to addressing the claims of creditors or complying with certain provisions of the DGCL with respect to the dissolution and liquidation. We cannot assure you that claims will not be brought against Endeavor for these reasons.

To the extent any bankruptcy or other claims deplete the trust account, we cannot assure you we will be able to return to Endeavor s public stockholders at least $ per share.

Under Sections 280 through 282 of the DGCL, stockholders may be held liable for claims by third parties against a corporation to the extent of distributions received by them in a dissolution. Pursuant to Section 280, if the corporation complies with certain procedures intended to ensure that it makes reasonable provision for all claims against it, including a 60-day notice period during which any third-party claims can be brought against the corporation, a 90-day period during which the corporation may reject any claims brought, and an additional 150-day waiting period before any liquidating distributions are made to stockholders, any liability of stockholders with respect to a liquidating distribution is limited to the lesser of such stockholder s pro rata share of the claim or the amount distributed to the stockholder, and any liability of the stockholder would be barred after the third anniversary of the dissolution. Although Endeavor will seek stockholder approval to liquidate the trust account to its public stockholders as part of its plan of dissolution and liquidation, Endeavor will seek to conclude this process as soon as possible and as a result do not intend to comply with those procedures. Because we will not be complying with the foregoing provisions, Section 281(b) of the DGCL requires Endeavor to adopt a plan that will provide for Endeavor s payment, based on facts known to it at such time, of (i) all existing claims, (ii) all pending claims and (iii) all claims that may be potentially brought against us within the subsequent 10 years. However, because Endeavor is a blank check company, rather than an operating company, and its operations have been limited to searching for prospective target businesses to acquire, the only likely claims to arise would be from Endeavor s vendors and service providers to which Endeavor owes money and potential target businesses, from all of which Endeavor has received agreements waiving any right, title, interest or claim of any kind they may have in or to any monies held in the trust account. As a result, the claims that could be made against Endeavor will be significantly limited and the likelihood that any claim would result in any liability extending to the trust is remote. Nevertheless, such agreements may or may not be enforceable. As such, Endeavor s stockholders could potentially be liable for any claims to the extent of distributions received by them in a dissolution and any liability of Endeavor s stockholders may extend beyond the third anniversary of such dissolution. Accordingly, we cannot assure you that third parties will not seek to recover from Endeavor s stockholders amounts owed to them by Endeavor.

Facilities

Endeavor maintains executive offices at 7 Times Square, 17th Floor, New York, New York, 10036. The cost for this space is included in a $7,500 per-month fee that Ironbound Partners Fund LLC (Ironbound Partners) charges Endeavor for general and administrative services. Ironbound Partners is an affiliate of Jonathan Ledecky, Endeavor s president and secretary. Endeavor believes, based on rents and fees for similar services in the New York, New York area, that the fees charged by Ironbound Partners are at least as favorable as Endeavor could have obtained from an unaffiliated person. Endeavor considers its current office space adequate for current operations.

Employees

Endeavor has two executive officers, each of whom also serves on Endeavor s board of directors. These individuals are not obligated to contribute any specific number of hours per week and devote only as much time as they deem necessary to Endeavor s affairs. Endeavor does not intend to have any full time employees prior to the consummation of the acquisition.

Periodic Reporting and Audited Financial Statements

Endeavor has registered its securities under the Securities Exchange Act of 1934 and has reporting obligations, including the requirement to file annual and quarterly reports with the SEC. In accordance with the requirements of the Securities Exchange Act of 1934, Endeavor s annual reports contain financial statements audited and reported on by Endeavor s independent accountants. Endeavor has filed with the Securities and Exchange Commission a Form 10-K covering the fiscal year ended December 31, 2006 and its most recent Form 10-Q covering the fiscal quarter ended March 31, 2007.

Legal Proceedings

There are no legal proceedings pending against Endeavor.

Plan of Operations

The following discussion should be read in conjunction with Endeavor s audited December 31, 2006 and unaudited March 31, 2007 financial statements and related notes thereto included elsewhere in this proxy statement.

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Endeavor was formed on July 22, 2005 to serve as a vehicle to effect a merger, capital stock exchange, asset acquisition or other similar business combination with an operating business. Endeavor intends to utilize cash derived from the proceeds of its recently completed public offering, its capital stock, debt or a combination of cash, capital stock and debt, in effecting a business combination.

Endeavor consummated its initial public offering on December 21, 2005. All activity from July 22, 2005 through December 21, 2005 related to Endeavor s formation and its initial public offering. Since December 21, 2005, Endeavor has been searching for prospective target businesses to acquire.

Endeavor had net income of $763,452 for the three months ended March 31, 2007 (unaudited) consisting of $1,034,195 of dividend interest income, offset by $270,743 of general, selling and administrative expenses.

Endeavor had net income of $2,870,136 for the year ended December 31, 2006 consisting of $3,974,013 of dividend interest income, offset by $1,101,412 of general, selling and administrative expenses and $2,465 of income tax expense.

For the period from July 22, 2005 (inception) to March 31, 2007 (unaudited), Endeavor had net income of $3,687,903 consisting of $5,126,407 of dividend interest income, offset by $1,438,504 of general, selling and administrative expenses.

Endeavor had net income of $54,315 for the period July 22, 2005 (inception) to December 31, 2005 consisting of $4,092,212 of dividend interest income, offset by $63,233 of general, selling and administrative expenses and $651 of income tax expense.

Upon consummation of Endeavor s initial public offering (Offering), $121,030,234 of the net proceeds was deposited in trust, with the remaining net proceeds of $1,316,746 becoming available to pay for business, legal and accounting due diligence on prospective acquisitions and continuing general and administrative expenses. Endeavor has used substantially all of the net proceeds of our initial public offering not held in trust to identify and evaluate prospective acquisition candidates, select the target business, and structure, negotiate and consummate the business combination. Endeavor intends to utilize our cash, including the funds held in the trust fund, capital stock, debt or a combination of the foregoing to effect a business combination. To the extent that Endeavor s capital stock or debt securities are used in whole or in part as consideration to effect a business combination, the proceeds held in the trust fund as well as any other available cash will be used to finance the operations of the target business.

At March 31, 2007, Endeavor had current assets (excluding cash held in the trust fund) of $283,014 and current liabilities of $605,157, leaving us with working capital deficit of $322,143, net of $126,145,536 of cash held in trust.

As indicated in Endeavor s accompanying financial statements, such financial statements have been prepared assuming that Endeavor will continue as a going concern. As discussed elsewhere in this proxy statement, Endeavor is required to consummate a business combination by December 21, 2007. The possibility that the acquisition of American Apparel will not be consummated raises substantial doubt about Endeavor s ability to continue as a going concern, and the financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Endeavor is obligated to pay to Ironbound Partners a monthly fee of $7,500 for general and administrative services.

In connection with our initial public offering, Endeavor issued an option, for $100, to Ladenburg Thalmann to purchase 350,000 Units at an exercise price of $10.00 per Unit, with each Unit consisting of one share of common stock and one warrant. Endeavor accounted for the fair value of the option, inclusive of the receipt of the $100 cash payment, as an expense of the public offering resulting in a charge directly to stockholders equity. Endeavor estimated that the fair value of this option was approximately $703,500 ($2.01 per Unit) using a Black-Scholes option-pricing model. The fair value of the option granted to Ladenburg Thalmann was estimated as of the date of grant using the following assumptions: (1) expected volatility of 52.7%, (2) risk-free interest rate of 4.43%, (3) expected life of two years and 30 days and (4) dividend rate of zero. The option may be exercised for cash or on a cashless basis, at the holder s option, such that the holder may use the appreciated value of the option (the difference between the exercise prices of the option and the underlying warrants and the market price of the units and underlying securities) to exercise the option without the payment of any cash.

Endeavor reimburses its officers and directors for any reasonable out-of-pocket expenses incurred by them in connection with certain activities on Endeavor s behalf such as identifying and investigating possible target businesses and business combinations. From Endeavor s inception in July 2005, through the record date, Endeavor has reimbursed its officers and directors in the aggregate amount of approximately $ for expense incurred by them on Endeavor s behalf.

Off-Balance Sheet Arrangements

There were no off-balance sheet arrangements during the period from July 22, 2005 (inception) through December 31, 2006, that have or are reasonably likely to have a current or future effect on Endeavor s financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to Endeavor.

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BUSINESS OF AMERICAN APPAREL

Overview

American Apparel is a vertically-integrated manufacturer, distributor, and retailer of branded fashion basic apparel. As of April 30, 2007, American Apparel operated 153 retail stores in 12 countries, including the United States, Canada, Mexico, England, Germany, France, Italy, Switzerland, the Netherlands, Israel, Japan and South Korea. American Apparel also operates a leading wholesale business that supplies t-shirts and other casual wear to distributors and screen printers. In addition to its retail stores and wholesale operations, American Apparel operates an online retail e-commerce website at *www.americanapparelstore.com*.

American Apparel operates principally out of its 800,000 square foot facility in downtown Los Angeles, which houses its executive offices, as well as its cutting, sewing, and distribution operations. American Apparel operates a knitting facility in Los Angeles, as well as a dyeing and finishing facility in Hawthorne, California. The company s domestic manufacturing operations allow American Apparel to quickly respond to customer demand and react faster to changing fashion trends. The company s products are noted for their quality and fit, and the company s edgy, distinctive branding has differentiated it in the marketplace. American Apparel® is a registered trademark of American Apparel, Inc.

Core Business Strengths

American Apparel has relied on a number of core business strengths that it believes have contributed to its past success and will contribute to its future growth:

Design Vision

American Apparel s design vision and aesthetic is intended to appeal to young, metropolitan adults by providing them with a core line of iconic, timeless styles offered year-round in a wide variety of colors at reasonable prices. Since its founding, American Apparel has operated with the belief that there is a large potential market among young adults for well-designed, high-quality reasonably-priced fashion basics. Led by Mr. Charney, the company s in-house creative team has carefully developed the company s product line and brand image.

Advertising and Branding

American Apparel attracts customers through internally-developed, edgy, high-impact, visual advertising campaigns which use print, outdoor, in-store, and electronic communication vehicles. These advertising campaigns communicate a distinct brand image that differentiates the company from its competitors and seek to establish a connection with the company s customers. The company s retail stores are an important part of American Apparel s branding, and convey a modern, internationalist lifestyle. At various times, the company has also drawn attention to the Made in USA nature of its products and the Sweatshop Free environment in which the company s garments are produced.

Speed to Market

The company s vertically integrated business model, where manufacturing and various other elements of the company s business processes are located in downtown Los Angeles, allows the company to play a role in originating and defining new and innovative trends in fashion, while enabling the company to quickly respond to market and customer demand for classic and new products. For the company s wholesale segment, being able to fulfill large orders with quick turn around allows American Apparel to win business that might otherwise go to competitors. The ability to respond to the market quickly means that the company s retail segment can deliver on-trend apparel in a timely manner, adhere to a policy of not discounting product at its retail stores and maximize sales on popular styles that may have otherwise sold out.

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Quality

American Apparel has prided itself on its use of quality fabrics. American Apparel has a stringent quality control department that oversees the production of its garments and, with the recent acquisition of its own dyeing operation, American Apparel has the ability to exercise control over the entire process of creating its expanding line of clothing and accessories.

Broad Appeal

While initially targeted towards young, metropolitan adults in North America, the clean, simple styles and quality of the company s garments have helped American Apparel appeal to various demographics across the world. The company believes that its appeal has been augmented by, and should continue to benefit from, the growing trend toward casual attire.

Growth Strategy

American Apparel has developed a growth strategy that is designed to capitalize on its strengths. The principal elements of this growth strategy are:

New Store Expansion

American Apparel is committed to expanding its presence in the North America while significantly increasing its store footprint in markets throughout Europe and Asia. American Apparel evaluates proposed sites based on traffic patterns, co-tenancies, average sales per square foot achieved by neighboring stores, lease economics, demographic characteristics and other factors considered important regarding the specific location. The company s experience in overseas markets to date suggests that American Apparel s brand concept is readily transferable.

New Merchandise Introduction

As American Apparel expands beyond its original product offering of t-shirts, the company is expanding the options available to its expanding customer base. American Apparel has strategically expanded its product offerings and intends to continue to introduce new merchandise to complement its existing products and draw in new customers, including denim, sweaters, jackets, and other products.

Continue In-Sourcing Manufacturing Processes

American Apparel has explored making strategic acquisitions to consolidate its manufacturing operations and continue to produce high quality products. In 2005, the company acquired a dyeing and finishing facility in Hawthorne, California. American Apparel believes that bringing certain elements of its production process in-house affords the company the opportunity to exert higher quality control while also lowering production costs. American Apparel intends to continue to pursue strategic opportunities to further consolidate its operations while maintaining its Made in USA status.

Improve Information Systems

American Apparel plans to implement an enterprise resources planning (ERP) system to replace, enhance and integrate many elements of its current information systems. The company currently operates a number of unrelated information technology systems which has resulted in operational inefficiencies and increased cost. It is anticipated that the implementation of this new system will be a multi-phased project, with the first phase covering manufacturing and production planning, and an estimated go-live date sometime in the first calendar quarter of 2008. Beyond the implementation of this ERP system, American Apparel believes that a continued focus on enhancing its information system will help optimize operations.

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Manufacturing Operations

American Apparel conducts all of its manufacturing operations in the Los Angeles metropolitan area, and principally at its cutting and sewing facility in downtown Los Angeles.

American Apparel purchases yarn which is sent to knitters to be knit into greige fabric. The company currently conducts knitting operations in-house at its knitting facility in Los Angeles. The company operates circular and flat knitting machines at this facility, producing jersey, piqué, fleece and ribbing using cotton and cotton/polyester yarns. The company also utilizes third-party commission knitters. The company s knitting facility knits approximately a third of the total fabric used in American Apparel s garments, and employs a staff of approximately 70 people, as of March 31, 2007.

Knitted greige fabric produced at the Los Angeles facility or other commission knitters is batched for bleaching and dyeing and is taken to the company s dyeing and finishing facility, or other local commission dyers. In some cases, dyed fabric is transferred to subcontractors for fabric laundering. The company s dyeing and finishing facility dyes approximately a third of the total fabric used in American Apparel s garments, and employs a staff of approximately 115 people, as of March 31, 2007.

All fabric is shipped to the company s primary manufacturing facility in downtown Los Angeles where it is inspected and eventually cut on manual and automated cutting tables, and subsequently sewn into finished garments. Some fabric is purchased directly from third parties, along with all trims. Garments are sewn by teams of sewing operators typically ranging from 5-15 operators, depending on the complexity of a particular garment. Each sewing operator performs a different sewing operation on a garment before passing it to the next operator. Sewing operators are compensated on a modified piece-rate basis. Quality control personnel inspect finished garments for defects and reject any defective merchandise. American Apparel also manufactures some hosiery in-house at this facility, where it does knitting, inspection, and packing, and uses off-site contractors for washing and boarding. Approximately 2,300 employees are directly involved in the cutting, sewing, and hosiery operations at the downtown Los Angeles facility, as of March 31, 2007.

American Apparel maintains a warehouse and distribution center at its downtown Los Angeles facility where it stores fabric rolls, trims, and finished goods. The company also maintains warehouses in Montreal, Quebec, and Dusseldorf, Germany.

Retail

The retail segment consists of 153 retail stores in 12 countries, including the United States, Canada, Mexico, England, Germany, France, Italy, Switzerland, the Netherlands, Israel, Japan and Korea. American Apparel opened its first retail location in October 2003, in the Echo Park neighborhood of Los Angeles, California. American Apparel s retail segment principally targets young adults aged 21 to 32 through its unique assortment of fashionable clothing and accessories and its compelling in-store experience. American Apparel has established a reputation with its customers, who are culturally sophisticated, creative and independent-minded. The product offering includes women s and men s basic apparel and accessories, as well as new lines for children and pets. Stores average approximately 3,000 square feet of selling space. Our stores are located in large metropolitan areas, emerging neighborhoods, and select university communities.

American Apparel seeks to instill enthusiasm and dedication in store management personnel and sales associates through regular communication with the stores. Store personnel receive minimum hourly compensation and receive discretionary incentive compensation based on meeting sales and profitability benchmarks.

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Wholesale

The wholesale segment sells to over a dozen authorized distributors and 10,000 screen printers and advertising specialty companies. These screen printers and advertising specialty companies decorate our blank product with corporate logos, brands and other images. Our decorator customers then sell imprinted sportswear and accessories to a highly diversified range of end-consumers, including companies, sporting venues, concert promoters, athletic leagues, and educational institutions, among others. In order to better serve customers, the company allows customers to order products by the piece, by the dozen, or in full case quantities. American Apparel also, to a lesser extent, fulfills custom and private-label orders.

American Apparel operates a call center out of its Los Angeles headquarters. The call center is staffed with approximately 40 customer service representatives initiating sales calls, answering incoming phone calls, emails, and faxes assisting customers in placing orders, checking stock levels, looking for price quotes or requesting adjustments. On average, the call center receives 800 calls daily and operates from Monday to Friday, 7am to 6pm.

While American Apparel operates primarily on a make-to-stock basis, manufacturing and maintaining a sufficient inventory of products to meet future demand, the company s in-house manufacturing capacity also allows American Apparel to fulfill large orders in a timely fashion. The company levers its inventory position with a quick turn-around on customer orders. Credit approved orders to be shipped by ground service are generally shipped the same day when received before 4:30pm PT while those to be shipped by air are generally shipped the same day when received by 3:30pm PT. The majority of the company s wholesale and internet consumer orders are processed within these parameters.

You can find more information about the financial results of each segment in Note 21 to the annual audited December 31, 2006 consolidated financial statements included in this proxy statement.

Brand, Advertising, and Marketing

American Apparel s advertising and direct marketing initiatives have been developed to elevate brand awareness, increase customer acquisition and retention and support key growth strategies. American Apparel s in-house creative team works to create edgy, high-impact, provocative ads which are produced year-round and are featured in leading national and local lifestyle publications, on billboards, and on specialty online websites. While the primary intent of this advertising is to support American Apparel s retail and online retail segments, the company s wholesale segment also benefits from the greater overall brand awareness generated by this advertising.

For the wholesale segment, American Apparel takes advantage of industry trade shows as an opportunity to expand and enhance customer relationships, exhibit its product offerings and share new promotions with customers. American Apparel participates in approximately two dozen trade shows annually. The company also produces an annual print catalog of its wholesale products, designed to be of the standard of high-end consumer retail catalogs with attractive models, appealing photographs and a clear display of products.

Product Development

American Apparel employs an in-house staff of designers and creative professionals whose mandate it is to develop compelling garments. Led by Mr. Charney, this team takes its inspiration from classic styles of the past, as well as the latest emerging trends in fashion seen on the streets of some of the most fashion-forward neighborhoods in the world. Even after a new style is launched, the company s design team will often continue to update or renew it.

Intellectual Property

American Apparel trademarks and service marks, and certain other trademarks, have been registered, or are the subject of pending trademark applications with the United States Patent and Trademark Office and with the registries of many foreign countries and/or are protected by common law. In the United States, American Apparel is the registered owner of the American Apparel, Classic Girl, Standard American, Classic Baby, and Sustainable Edition trademarks, among others.

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Competition; Customers

The specialty retail, online retail and the wholesale apparel businesses are each highly competitive. The apparel industry is characterized by rapid shifts in fashion, consumer demand, and competitive pressures, resulting in both price and demand volatility. American Apparel believes that its emphasis on quality fashion basics mitigates these factors.

American Apparel s retail segment competes on the basis of, among other things, the location of the stores, the breadth, quality, style, and availability of merchandise, the level of customer service offered and price. While American Apparel believes that the fit and quality of its garments, as well as the broad variety of colors and styles of casual fashion basics that it offers, helps differentiate it, it competes against a wide variety of smaller, independent specialty stores, as well as department stores and national and international specialty chains. These competitors include The Gap, Urban Outfitters, H&M, Club Monaco, and French Connection. Many of American Apparel s competitors have substantially greater name recognition as well as financial, marketing, and other resources.

Our wholesale business competes with numerous wholesale companies based on the quality, fashion, availability, and price of our wholesale product offerings. These competitors include Gildan Activewear, Hanes, Russell Athletic and Fruit of the Loom. Many of our wholesale business competitors have greater name recognition and financial and other resources.

Along with certain retail segment factors noted above, other key competitive factors for our online retail operations include the success or effectiveness of customer mailing lists, response rates, merchandise delivery and web site design and availability. Our online retail operations compete against numerous web sites, many of which may have a greater volume of web traffic, and greater financial, marketing and other resources**.**

Seasonality

American Apparel experiences seasonality in its operations. Historically, sales during the second and third fiscal quarters have generally been the highest, with sales during the first fiscal quarter the lowest. This reflects the combined impact of the seasonality of the wholesale and retail segments. Generally, the company s retail segment has not experienced the same pronounced sales seasonality around the back-to-school and year-end holiday selling seasons as other retailers.

Employees

As of March 31, 2007, American Apparel employed a work force of approximately 5,800 employees worldwide. To ensure the company s long-term success, American Apparel must attract, develop and retain skilled employees. This includes, but is not limited to manufacturing, retail, sales, creative, and executive employees. Competition for such employees can be intense. American Apparel s success is dependent to a significant degree on the continued contributions of key employees, including Mr. Charney.

American Apparel views its employees as long-term investments and adheres to a philosophy of providing employees with decent working conditions in a technology-driven environment which allows the company to attain improved efficiency, while inspiring employee loyalty. American Apparel has emphasized its compensation structure and benefits package for manufacturing employees, which includes above-market wages, company-subsidized health insurance, free English language classes, free massage, free parking, as well as other benefits. The company also provides for a well-lit working environment that is properly ventilated and heated or cooled in its manufacturing facilities. These working conditions, as well as the company s compensation and benefits package, are key elements in achieving the company s desire to be an employer of choice in the Los Angeles area. American Apparel tries to provide for year-round employment, in contrast to the seasonality in production volumes experienced by other apparel companies which often result in seasonal layoffs. None of the employees are covered by a collective bargaining agreement. American Apparel has never had a strike or work stoppage and believes that its relations with its employees are excellent.

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Information Technology

American Apparel is committed to utilizing technology to enhance its competitive position. The company s information systems provide data for production, merchandising, distribution, retail stores and financial systems. The core business systems, which consist of both purchased and internally developed software, are accessed over a company-wide network providing corporate employees with access to key business applications.

To support the company s growth, American Apparel has initiated a strategic review of its information systems. The company plans to implement the ERP system to replace, enhance and integrate many elements of its current information systems. The company currently operates a number of unrelated information technology systems that have resulted in operational inefficiencies and in some cases have increased costs. It is anticipated that the implementation of this new system will be a multi-phased project, with the first phase covering manufacturing and production planning, with an estimated go-live date sometime in the first quarter of calendar 2008. If the company fails to properly execute or misses critical deadlines in the implementation of this new system, it could experience serious disruption and harm to the business.

American Apparel dedicates a significant portion of its information technology resources to web services, which includes the operation of the corporate website at *www.americanapparel.net* and the online retail site at *www.americanapparelstore.com*.

Properties

The following table sets forth the location and use of each of our principal non-retail properties, which are all leased:

Location	Use
Los Angeles, California	Executive offices, sewing, cutting, and distribution
Los Angeles, California	Knitting facility
Hawthorne, California	Dyeing and finishing facilities
Montreal, Quebec	Executive offices, distribution
Dusseldorf, Germany	Offices, distribution
London, England	Offices
Tokyo, Japan	Offices
Seoul, South Korea	Offices

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All of American Apparel s retail stores are well maintained and in good operating condition. The company s retail stores are typically leased for a term of five to ten years with renewal options for an additional five to ten years. Most of these leases provide for base rent, as well as maintenance and common area charges, real estate taxes and certain other expenses. Selling space of opened stores will sometimes change due to store renovations that modify space utilization, use of staircases, cash registers configuration, and other factors. As well, a number of American Apparel store locations have undergone expansions in the past several years. The following table shows the location of each of our existing retail stores, as of April 30, 2007:

Domestic Locations (93)

Arizona (2)

Tempe

Tuscon

California (22)

Berkeley

Camarillo

Cherokee

Echo Park

Haight Ashbury

Hillcrest

Hollywood

Huntington Beach

Little Tokyo

La Jolla

Los Feliz

Melrose

Pacific Beach

Palo Alto

Robertson

Santa Ana

Colorado (cont d.)

Boulder

Larimer

Connecticut (1)

South Norwalk

District of Columbia (1)

Lincoln Square

Florida (7)

Coconut Grove

Coral Gables

Gainesville

Key West

Lincoln Road

Ocean Drive

Sunset Drive

Georgia (4)

Buckhead

Illinois (cont d.)

Wicker Park

Louisiana (1)

New Orleans

Maryland (2)

Baltimore

Silver Spring

Massachusetts (2)

Cambridge

Newbury Street

Michigan (3)

Ann Arbor

East Lansing

Royal Oak

Nevada (1)

Las Vegas

New York (cont d.)

Columbus Circle

Court Street

Flatiron

Gramercy Park

Lower East Side

Park Slope

Soho

Tribeca

Upper East Side

West Village

Williamsburg

Woodbury Commons

North Carolina (1)

Charlotte

Ohio (3)

Cincinnati

Cleveland

Columbus

Pennsylvania (cont d.)

Walnut Street

Rhode Island (1)

Providence

South Carolina (2)

Charleston

Columbia

Tennessee (2)

Memphis

Nashville

Texas (2)

Dallas

Houston

Vermont (1)

Burlington

Santa Barbara
Santa Cruz
Santa Monica
Union Street
Westwood Village
West Hollywood

Colorado (3)

Belmar

Georgia Tech
Little Five Points
Savannah

Illinois (5)

Evanston
Gold Coast
Lakeview
Lincoln Park

New Jersey (1)

Hoboken

New York (16)

Broadway
Carroll Gardens
Chelsea
Columbia University

Oregon (3)

Eugene
Hawthorne Blvd.
Stark Street

Pennsylvania (4)

Sansom Commons
Shadyside
Univ. of Pittsburgh

Virginia (1)

Richmond

Washington (2)

Capitol Hill
University Way

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International Locations (60)

Canada (25)

Alberta (2)

Calgary

Edmonton

British Columbia (4)

Burnaby

Granville

South Granville

West 4th Street

Nova Scotia (1)

Halifax

Ontario (8)

Bloor Street

Church Street

College Street

Kingston

Ontario (cont d.)

Ottawa

Queen Street

Yonge & Dundas

Yonge & Eglington

Quebec (10)

Cote-des-Neiges

Cours Mont-Royal

Mont-Royal Est

Pointe-Claire

Sainte-Foy

Sherbrooke

St-Denis

Ste-Catherine

Ste-Catherine Est

St-Laurent

Mexico (2)

Mexico City

Playa del Carmen

Europe (22)

France (6)

Beurepaire

Marais Men s

Marais Women s

Marche St-Honore

Saint-Germain

Vielle du Temple

Germany (10)

Berlin 1

Berlin 2

Berlin 3

Cologne

Dusseldorf

Frankfurt

Hamburg

Munich 1&2

Stuttgart

Netherlands (2)

Amsterdam

Rotterdam

Switzerland (1)

Zurich

United Kingdom (3)

Carnaby Street

Portobello Road

Shoreditch

Israel (1)

Tel Aviv

Asia (10)

Japan (5)

Daikanyama

Shibuya

Azabu

Osaka

Tenjin

Korea (5)

Busan

Cheong-Ju

Hong-Dae

Myung-Dong

Kangnam

Stores Opened by Year

	United States	Canada	International	Total
2003				
Opened	3	0	0	3

Total at Year End	3	0	0	3
2004				
Opened	22	9	3	34
Total at Year End	25	9	3	37
2005				
Opened	41	11	15	67
Total at Year End	66	20	18	104
2006				
Opened	29	5	12	46
Closed	(3)	0	0	(3)
Total at Year End	92	25	30	147
2007				
Opened	1	0	5	6
Total as of April 30, 2007	93	25	35	153

Comparable Same Store Sales

Comparable same store sales are defined as the change in sales for stores that have been open for more than one year over the comparable period of the previous year. The table below shows the comparable same store sales of American Apparel, including the number of stores included in the comparison at the end of each period and the increase from the prior comparable period.

	For the Quarter Ended				
	March 31	June 30	September 30	December 31	For the year
2005	64%	56%	41%	41%	45%
Stores	6	10	18	31	
2006	16%	0%	3%	5%	5%
Stores	43	50	64	83	
2007	17%				
Stores	104				

Environmental Regulation

American Apparel s operations are subject to various environmental and occupational health and safety laws and regulations. Because the company monitors, controls and manages environmental issues, American Apparel believes it is in compliance in all material respects with the regulatory requirements of those jurisdictions in which its facilities are located as it does receive compliance confirmations from those jurisdictions on a regular basis. In line with its commitment to the environment as well as to the health and safety of our employees, American Apparel will continue to make expenditures to comply with these requirements, and does not believe that compliance will have a material adverse effect on its business. As is the case with manufacturers in general, if a release of hazardous substances occurs on or from its properties or any associated offsite disposal locations, or if contamination from prior activities is discovered at any of its properties, American may be held liable. While the amount of such liability could be material, American Apparel seeks to conduct its operations in a manner that reduces such risks.

Legal Proceedings

American Apparel is subject to regulatory inquiries, claims and suits that arise in the ordinary course of business and is, from time to time, involved in litigation incidental to the conduct of its business. Additionally, from time to time, American Apparel is the subject of labor related claims filed by current and former employees with the courts and regulatory agencies. The company conducts extensive internal investigations of all allegations brought against it and cooperates with external regulatory investigations.

During the first quarter of 2007, American Apparel was contacted in writing on behalf of two former employees with respect to potential claims against the company. One communication concerned possible age discrimination against a male employee and the other concerned possible sexual harassment of a female employee. American Apparel promptly conducted an internal investigation of the age discrimination issue and found no evidence to support any such claim. Further, American Apparel responded to the communication relating to the harassment claim requesting sufficient information to allow the company to investigate. There have been no developments in either of these matters since early 2007.

Additionally, on or about September 19, 2005, Ms. Mary Nelson, a former employee in the sales department at American Apparel commenced a suit in a case captioned as *Mary Nelson v. American Apparel, Inc., et al.*, Case Number BC333028, filed in Superior Court of the State of California for the County of Los Angeles, Central District, wherein she alleges she was wrongfully terminated, was subjected to harassment and discrimination based upon her gender and other claims related to her employment. American Apparel has denied all of Ms. Nelson s allegations of wrongdoing. American Apparel intends to aggressively defend this matter.

American Apparel will seek to mediate allegations of misappropriation of image, infringement on the rights of publicity of another and copyright infringement relating to one or more of its past advertisements. At this time, American Apparel is unable to determine the outcome of such mediation or the effect it may have on the financial condition of the company.

American Apparel s management intends to investigate all of the aforesaid matters and, as appropriate, engage in a vigorous defense. Although the outcome of these claims cannot be determined with certainty, American Apparel is of the opinion that these claims will not have a material adverse impact on American Apparel s financial position, results of operations or liquidity. However, management s assessment of American Apparel s exposure could change as the claims proceed or if additional facts become known in the future.

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AMERICAN APPAREL S MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The information contained in this section has been derived from consolidated financial statements of AAI and the combined financial statements of CI companies. Information contained here should be read together with Endeavor s financial statements and related notes included elsewhere in this proxy statement. All amounts are in thousands of US dollars unless specifically noted.

The following discussion is intended to assist in the assessment of significant changes and trends related to the results of operations and financial condition of American Apparel. This discussion and analysis should be read in conjunction with AAI s consolidated financial statements and notes thereto included, as well as in conjunction with the CI companies combined financials statements and notes thereto included.

American Apparel s business has grown organically in all of its markets. AAI designs, manufactures and distributes apparel for women, men, children and pets through its retail and web-based stores, and wholesale customers throughout the United States of America and internationally, except for Canada where the CI companies sell AAI s products through their retail stores, and distribute goods to third party wholesale companies.

American Apparel s revenue is driven by its ability to design and market desirable products, identify business opportunities and secure new as well as renew existing distribution channels. American Apparel s income from operations is derived from its ability to generate revenue and collect cash in excess of labor, material and other inventory manufacturing costs as well as selling, general and administrative costs.

US and Canadian dollar amounts set forth in American Apparel s Management s Discussion and Analysis of Financial Conditions and Results of Operations are in thousands (000s) unless otherwise indicated.

Nature of Operations

AAI is a manufacturer and distributor of blank t-shirts and other comfort apparel for men, women, children and pets. AAI sells its products through a wholesale distribution channel, a consumer e-commerce web site, as well as direct to consumers through its 93 retail stores located in the United States and 60 stores internationally, including Canada. AAI maintain corporate offices, primary manufacturing and distribution facility, knitting and dye house in Los Angles, California. AAI also maintains a portion of its yarn at outside knitting facilities and a portion of its greige goods at outside dye houses. AAI operates through numerous subsidiaries.

The CI companies include the accounts of various companies, incorporated under either the Canada Business Corporations Act, or laws of Quebec or laws of Ontario. These companies sell American Apparel garments through 25 Canadian retail outlets under the name of American Apparel and are referred to as the retail companies. One additional CI company is engaged in the distribution of American Apparel products to third party wholesale customers while another owns a rental property occupied by the companies.

Critical Accounting Estimates and Policies

Complete descriptions of American Apparel s significant accounting policies are outlined in Note 1 of the *Notes to Consolidated Financial Statements* included in this proxy statement.

The preparation of financial statements in conformity with GAAP in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Management bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which

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form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. American Apparel s critical accounting estimates and policies include:

- sales returns and allowances;
- allowance for doubtful accounts; inventory valuation and obsolescence;
- valuation and recoverability of long-lived and indefinite-lived intangible assets including the values assigned to acquired intangible assets, goodwill, and property, plant and equipment;
- income taxes;
- foreign currency; and
- accruals for the outcome of current litigation.

In general, estimates are based on historical experience, on information from third party professionals and on various other sources and assumptions that are believed to be reasonable under the facts and circumstances at the time such estimates are made. On a continual basis, management reviews its estimates utilizing currently available information, changes in facts and circumstances, historical experience and reasonable assumptions. After such reviews, and if deemed appropriate, those estimates are adjusted accordingly. Actual results may vary from these estimates and assumptions under different and/or future circumstances. American Apparel s management considers an accounting estimate to be critical if:

- it requires assumptions to be made that were uncertain at the time the estimate was made; and
- changes in the estimate, or the use of different estimating methods that could have been selected, could have a material impact on American Apparel s consolidated results of operations or financial condition.

Revenue Recognition

American Apparel recognizes product sales revenue when title and risk of loss have transferred to the customer, there is persuasive evidence of an arrangement, shipment and passage of title has occurred, the sales price is fixed or determinable and collectibility is reasonably assured. Revenue from wholesale and consumer e-commerce product sales are recorded at the time the product is shipped to the customer. With respect to its own retail store operations American Apparel recognizes revenue upon the sale of its products to retail customers. American Apparel s net sales represent gross sales invoiced to customers, less certain related charges for discounts, returns, and other promotional allowances. Allowances provided for these items are presented in the consolidated financial statements primarily as reductions to sales and cost of sales (see Sales Returns and Other Allowances discussed below for further information). American Apparel recognizes the sales from gift cards, gift certificates and store credits as they are redeemed for merchandise.

Sales Returns and Other Allowances

Allowances For Sales Returns American Apparel analyzes sales returns in accordance with Statement of Financial Accounting Standard (SFAS) No. 48 Revenue Recognition When Right of Return Exists (SFAS 48). American Apparel is able to make reasonable and reliable estimates of product returns for both its wholesale and retail segments based upon historical experience. American Apparel also monitors the buying patterns of the end-users of its products based on sales data received by its retail outlets. Estimates for sales returns are based on a variety of factors including actual returns based on expected return data communicated to it by customers. Accordingly, American Apparel believes that its historical returns analysis is an accurate basis for its allowance for sales returns. Actual results could differ from those estimates.

As with any set of assumptions and estimates, there is a range of reasonably likely amounts that may be calculated for each allowance above. However, American Apparel believes that there would be no significant difference in the amounts reported using other reasonable assumptions than what was used to arrive at each allowance. American Apparel regularly reviews the factors that influence its estimates and, if necessary, make adjustments when it believes that actual product returns, credits and other allowances may differ from established reserves. Actual experience associated with any of these items may be significantly different than American Apparel s estimates.

Trade Receivables

American Apparel carries its trade receivables at net realizable value. On a periodic basis, American Apparel evaluates its trade receivables and establishes an allowance for doubtful accounts based on a history of past bad debt expense, collections and current credit conditions.

American Apparel performs on-going credit evaluations of its customers and adjusts credit limits based upon payment history and the customer s current credit worthiness, as determined by the review of their current credit information. Collections and payments from customers are continuously monitored. American Apparel maintains an allowance for doubtful accounts, which is based upon historical experience as well as specific customer collection issues that have been identified. While such bad debt expenses have historically been within expectations and allowances established, American Apparel cannot guarantee that it will continue to experience the same credit loss rates that it has in the past. If the financial condition of customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

Inventories

Inventories are stated at the lower of cost or market. Cost is primarily determined on the first-in, first-out (FIFO) method. AAI identifies potentially excess and slow-moving inventories by evaluating turn rates, inventory levels and other factors. Excess quantities are identified through evaluation of inventory aging, review of inventory turns and historical sales experiences. At times however, AAI will purposefully engage in inventory build up at a rate that outpaces sales. This is done during the first quarter in anticipation of peak selling season which occurs during the summer months of the second and third quarter of the year. At such times, AAI will consider the timing of inventory buildup in order to determine whether the buildup warrants additional reserves for inventory obsolescence. If the inventory buildup precedes the selling season, management maintains the existing provision for inventory obsolescence until the peak selling season has passed and the accumulated sales data provide a better basis for an update of management s estimate of this provision. AAI has evaluated the current level of inventories considering historical sales and other factors and, based on this evaluation, has recorded adjustments to cost of goods sold to adjust inventories to net realizable value. These adjustments are estimates, which could vary significantly, either favorably or unfavorably, from actual requirements if future economic conditions, customer demand or competition differ from expectations.

The CI companies records assets under capital leases at cost. Amortization is calculated using the declining balance basis at rates designed to depreciate the cost of the assets under capital lease over their estimated useful lives. Annual amortization and depreciation rates applied to assets under capital leases are the same as those applied to respective categories of assets owned by the CI companies.

Goodwill and Other Intangible Assets

Goodwill and other intangible assets acquired in a business combination and determined to have an indefinite useful life are not amortized, but instead tested for impairment at least annually in accordance with the provisions of SFAS No. 142, Goodwill and Other Intangible Assets (SFAS 142). The SFAS 142 goodwill impairment model is a two-step process. The first step compares the fair value of a reporting unit that has goodwill assigned to its carrying value. American Apparel estimates the fair value of a reporting unit by using a discounted cash flow model. If the fair value of the reporting unit is determined to be less than its carrying value, a second step is performed to compute the amount of goodwill impairment, if any. Step two allocates the fair value of the reporting unit to the reporting unit s net assets other than goodwill. The excess of the fair value of the reporting unit over the amounts assigned to its net assets other than goodwill is considered the implied fair value of the reporting unit s goodwill. The implied fair value of the reporting unit s goodwill is then compared to the carrying value of its goodwill. Any shortfall represents the amount of goodwill impairment.

Long-Lived Assets

American Apparel periodically reviews the values assigned to long-lived assets, such as property, plant and equipment, intangibles and goodwill. The associated depreciation and amortization periods are reviewed on an annual basis.

Impairment of Long-Lived Assets

American Apparel follows the provisions of SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets (SFAS 144). SFAS 144 requires evaluation of the need for an impairment charge relating to long-lived assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The estimated future undiscounted cash flows associated with the asset would be compared to the asset s carrying amount to determine if a write down to a new depreciable basis is required. If required, an impairment charge is recorded based on an estimate of future discounted cash flows.

American Apparel considers the following to be some examples of important indicators that may trigger an impairment review: (i) significant under-performance or loss of key contracts acquired in an acquisition relative to expected historical or projected future operating results; (ii) significant changes in the manner or use of the acquired assets or in American Apparel s overall strategy with respect to the manner or use of the acquired assets or changes in American Apparel s overall business strategy; (iii) significant negative industry or economic trends; (iv) increased competitive pressures; (v) a significant decline in American Apparel s stock price for a sustained period of time; and (vi) regulatory changes.

American Apparel periodically evaluates acquired businesses for potential impairment indicators. Judgment regarding the existence of impairment indicators is based on market conditions and operational performance of the acquired businesses. Future events could cause American Apparel to conclude that impairment indicators exist, and therefore that goodwill and other intangible assets as well as other long lived assets are impaired. Such evaluations for impairment are significantly impacted by estimates of future revenues, costs and expenses and other factors. A significant change in cash flows in the future could result in an impairment of long lived assets.

Foreign Currency

In preparing the consolidated financial statements, the financial statements of the foreign subsidiaries are translated from the functional currency, generally the local currency, into U.S. Dollars. This process results in exchange rate gains and losses, which, under the relevant accounting guidance, are included as a separate component of stockholders equity under the caption Accumulated other comprehensive income.

Under the relevant accounting guidance, the functional currency of each foreign subsidiary is determined based on management s judgment and involves consideration of all relevant economic facts and circumstances affecting the subsidiary. Generally, the currency in which the subsidiary transacts a majority of its transactions, including billings, financing, payroll and other expenditures, would be considered the functional currency, but any dependency upon the parent and the nature of the subsidiary s operations must also be considered.

If a subsidiary s functional currency is deemed to be the local currency, then any gain or loss associated with the translation of that subsidiary s financial statements is included in accumulated other comprehensive income. However, if the functional currency is deemed to be the U.S. Dollar, then any gain or loss associated with the remeasurement of these financial statements from the local currency to the functional currency would be included within the statement of operations. If American Apparel disposes of subsidiaries, then any cumulative translation gains or losses would be recorded into the statement of operations. If American Apparel determines that there has been a change in the functional currency of a subsidiary to the U.S. Dollar, any translation gains or losses arising after the date of change would be included within the statement of operations.

Based on an assessment of the factors discussed above, American Apparel considers the relevant subsidiary s local currency to be the functional currency for each of its foreign subsidiaries.

Income Taxes

American Apparel records the estimated future tax effects of temporary differences between the tax bases of assets and liabilities and amounts reported in the accompanying consolidated balance sheets, as well as tax credit carrybacks and carryforwards. American Apparel periodically reviews the recoverability of deferred tax assets recorded on the balance sheet and provides valuation allowances as management deems necessary. Management makes judgments as to the interpretation of the tax laws that might be challenged upon an audit and cause changes to previous estimates of tax liability. In addition, American Apparel operates within multiple taxing jurisdictions and is subject to audit in these jurisdictions. In management s opinion, adequate provisions for income taxes have been made for all years. If actual taxable income by tax jurisdiction varies from estimates, additional allowances or reversals of reserves may be necessary.

Contingencies

American Apparel is subject to proceedings, lawsuits and other claims related to various matters. American Apparel is required to assess the likelihood of any adverse judgments or outcomes to these matters as well as potential ranges of probable losses. Management determines the amount of reserves needed, if any, for each individual issue based on its knowledge and experience and discussions with legal counsel. The required reserves may change in the future due to new developments in each matter, the ultimate resolution of each matter or changes in approach, such as a change in settlement strategy, in dealing with these matters. American Apparel currently does not believe that these matters will have a material adverse affect on its consolidated financial position, results of operations or cash flows.

American Apparel has been able to grow its annual revenues by approximately 37.7% over the past year through a combination of all of the above factors. During fiscal year 2006, American Apparel has expanded the number of products offered at wholesale and retail, and has also added new wholesale customers. During 2006 American Apparel increased its number of retail stores from 66 to 93 within United States. Internationally, including Canada, American Apparel increased its number of retail stores from 38 to 60.

Most notably, during 2006 American Apparel established its first retail store in Israel, while boosting its presence in continental Europe, where the number of retail stores grew from 9 to 19 and South Korea where retail stores grew from 1 to 5.

Once the acquisition is completed, American Apparel s growth strategy will be to re-accelerate the number of retail locations. While there can be no assurance , American Apparel believes that there is a significant potential to expand its retail presence, with up to 800 worldwide locations in the current store format possible. In addition, American Apparel will continue to strategically expand its wholesale business. Finally, American Apparel will also look to expand the categories of merchandise it offers, specifically for denim, sweaters and accessories. To execute this growth strategy, American Apparel will leverage American Apparel s brand awareness and its vertical manufacturing experience.

As American Apparel continues to expand through organic growth, internal initiatives and future acquisitions, it will incur additional material expenses. Two of the key areas in which such increased expenses will likely occur are cost of sales as well as new merchandise development. As previously noted, in order to grow retail sales, American Apparel will have to open new retail locations and hire additional retail personnel to service new retail stores. In order to grow the wholesale distribution channel, American Apparel will have to hire new sales personnel to service new geographic territories.

To support new merchandise development, expenses will increase as AAI designs new products in existing and new categories.

Ongoing infrastructure investment also may be required to support growth. This may include expenditures for new buildings, machinery and equipment, as well as expenditures for upgraded information systems and expenditures to enhance the management team.

To reduce the impact of additional material expenses on earnings, American Apparel will have to look for ways to improve productivity of current manufacturing operations and to enhance other operating procedures. One of the initiatives already underway in its planning stage is the implementation of an ERP system that should realize gains in operation efficiencies in a number of enterprise-wide processes including inventory and production management.

Sales

American Apparel s sales are primarily derived from sales of comfort apparel for men, women and children. American Apparel recognizes merchandise sales revenue when title and risk of loss have transferred to the customer, there is persuasive evidence of an arrangement, shipment and passage of title has occurred, the sales price is fixed or determinable and collectibility is reasonably assured. With respect to its own retail store operations, American Apparel recognizes revenue upon the sale of its products to retail customers.

During 2006, approximately 73% of the combined sales of AAI and the CI companies were made to customers in the United States, 11% to customers in Canada and the remaining 16% to other international customers.

American Apparel keeps an allowance for sales returns. Allowance is based upon historical analysis as well as information communicated by customers.

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Results of Operations

American Apparel, Inc.

Condensed Consolidated Statements of Operations

For the Three Months Ended March 31, 2007 and 2006

	Three Months Ended March 31, 2007 (Unaudited)		Three Months Ended March 31, 2006 (Unaudited)	
Net sales	$ 69,033	100.0%	$ 55,944	100.0%
Cost of sales	30,836	44.7%	29,042	51.9%
Gross profit	38,197	55.3%	26,902	48.1%
OPERATING EXPENSES				
Selling	13,635	19.8%	10,499	18.8%
Warehouse and Distribution	1,503	2.2%	1,505	2.7%
General and Administrative	17,190	24.9%	12,667	22.6%
Operating income	5,869	8.4%	2,230	4.0%
Interest expense	3,674	5.3%	2,408	4.3%
Other (Income) Expense	(111)	(0.1)%	170	0.3%
(LOSS) INCOME BEFORE INCOME TAXES	2,306	(0.1)%	(348)	(0.6)%
Income tax provision (benefit)	597	0.9%	(35)	(0.1)%
NET INCOME (LOSS)	$ 1,709	2.5%	$ (313)	(0.6)%

Three months ended March 31, 2007 compared with three months ended March 31, 2006

Net sales increased $13,089 or 23.4% from approximately $55,944 for the three months ended March 31, 2006 to approximately $69,033 for the three months ended March 31, 2007. This sales increase was primarily attributable to the fact that, during the three months ended March 31, 2007, there were 35 more retail locations open throughout the United States and internationally than were open as of March 31, 2006. Overall, AAI had 128 stores opened throughout United States and internationally as of March 31, 2007. Within the United States, AAI had 93 stores opened as of March 31, 2007, whereas it had 72 stores open as of March 31, 2006. The number of international retail locations increased from 20 stores open as of March 31, 2006 to 35 stores opened as of March 31, 2007.

Of the $13,089 increase in net sales for the three months ended March 31, 2007 as compared to the three months ended March 31, 2006, approximately $5,299 of the total net sales increase is related to the increase in retail sales at its retail locations within the United States. International retail sales contributed another $5,823 to the increase in net sales while the international wholesale channel contributed $2,323 to the increase in net sales. The wholesale channel in the United States saw a decrease in sales of $164 and a decrease in amounts billed to customers for freight of $194 for the three months ended March 31, 2007 as compared to the same 2006 period.

Cost of sales increased from $29,042 for the three months ended March 31, 2006 to $30,836 for the three months ended March 31, 2007, a change of $1,794. As a percentage of sales, Cost of sales decreased from 51.9% for the three months ended March 31, 2006 to 44.7% for the three months ended March 31, 2007. This decrease is due to the fact that the sales mix has changed in favor of retail sales. The retail channel accounts for 49% of net sales for the quarter ended March 31, 2007 compared to 40% of net sales for the quarter ended March 31, 2006. Retail sales have a much higher markup than wholesale sales. The decrease is also due to gains in operational efficiencies resulting from increased production during the three months ended March 31, 2007 as AAI increased production to build up inventory for the summer selling season.

Gross profit increased 7.2% as a percentage of sales from approximately $26,902 for the three months ended March 31, 2006 to approximately $38,197 for the three months ended March 31, 2007. As a percentage of sales,

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gross profit increased from 48.1% for the three months ended March 31, 2006 to 55.3% for the three months ended March 31, 2007. Increase in gross profit is caused by the higher margins realized on retail sales compared to wholesale sales as discussed above.

Selling expenses increased from approximately $10,498 for the three months ended March 31, 2006 to approximately $13,635 for the three months ended March 31, 2007, an increase of approximately $3,136. Selling expenses generally consist of payroll, insurance, advertising and marketing expenses and sales commissions. The year-to-year first quarter increase was primarily attributable to increased payroll, coupled with other general increases in salaries, advertising and miscellaneous other expenses at foreign subsidiaries.

Warehouse and distribution expenses for the three months ended March 31, 2007 have remained unchanged, compared to the three months ended March 31, 2006. Salaries and benefits of warehouse and distribution staff are the main expense drivers for this category, however, salaries and benefits within this expense category remained flat as the main distribution center did not increase its staffing.

General and administrative expense increased from approximately $12,667 for the three months ended March 31, 2006 to approximately $17,190 for the three months ended March 31, 2007, an increase of approximately $4,523. This increase in general and administrative expenses was primarily caused by an increase in costs required to operate a higher number of retail store locations. These costs include rent expense for leases at new locations, depreciation for new equipment, credit card charges and utilities, among other costs. Increases in these categories contributed approximately $1,200 in additional expenses for the three months ended March 31, 2007 compared to the three months ended March 31, 2006. An additional $2,200 of this increase was incurred as a result of increases in foreign salaries and benefits, depreciation, credit card charges and utilities to support the retail store expansion. A significant contributing factor to the overall increase in administrative expenses were audit fees. During the three months ending March 31, 2007, AAI incurred approximately $1,000 in professional service fees from independent auditors. During the three months ending March 31, 2006, AAI incurred $120 in professional service fees from auditors. Remaining increases in general and administrative expenses were incurred related to the buildup of administrative staff required to support the store expansion and retail sales increases.

Interest expense increased from approximately $2,408 for the three months ended March 31, 2006 to approximately $3,674 for the three months ended March 31, 2007, an increase of approximately 52.6%. This increase in interest expense is related to increased debt and capital lease obligations. Debt and capital lease obligations increased from $70,800 as of March 31, 2006 to $108,200 as of March 31, 2007, which represents an increase of $37,400. This increase in interest expense was attributable to increased borrowing levels in late 2006 and early 2007 to support the growth of the company.

Income tax provision increased from a benefit of approximately $35 for the three months ended March 31, 2006 to a provision of approximately $597 for the three months ended March 31, 2007, as a result of an increase in both foreign and domestic profits. AAI is a subchapter S corporation for federal tax reporting purposes. Therefore, domestic earnings and losses for Federal tax reporting purposes are included in the personal tax returns of the stockholders and taxed according to their personal tax strategies. Accordingly, the company does not incur additional Federal income tax obligations, and the consolidated financial statements do not include a provision for Federal income taxes.

Net income increased from a loss of approximately $313 for the three months ended March 31, 2006 to net income of approximately $1,709 for the three months ended March 31, 2007. This increase was primarily attributable to the increase in net sales and related gross profit described above.

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American Apparel, Inc.

Consolidated Statements of Income

For the Twelve Months Ending December 31, 2006 and 2005

	Twelve Months Ended December 31, 2006		Twelve Months Ended December 31, 2005 (Unaudited)	
Net sales	$ 264,691	100.0%	$ 192,178	100.0%
Cost of sales	138,385	52.3%	99,754	51.9%
Gross profit	126,306	47.7%	92,424	48.1%
OPERATING EXPENSES				
Selling	49,320	18.6%	34,164	17.8%
Warehouse and Distribution	6,669	2.5%	8,514	4.4%
General and Administrative	61,017	23.1%	39,438	20.5%
Operating income	9,300	3.5%	10,308	5.4%
Interest expense	10,797	4.1%	6,006	3.1%
Other (Income) Expense	(1,208)	(0.5)%	327	0.2%
(LOSS) INCOME BEFORE INCOME TAXES	(289)	(0.1)%	3,975	2.1
Income tax provision	1,335	0.5%	392	0.2
NET (LOSS) INCOME	$ (1,624)	(0.6)%	$ 3,583	1.9%

Twelve months ended December 31, 2006 compared with twelve months ended December 31, 2005

Net sales increased $72,513 or 37.7% from approximately $192,178 in the twelve months ended December 31, 2005 to approximately $264,691 for the twelve months ended December 31, 2006. This sales increase was primarily attributable to opening 41 new retail locations while closing 3 existing locations during 2006. The number of retail locations in the United States increased from 66 as of December 31, 2005 to 92 as of December 31, 2006. The number of international retail locations increased from 18 as of December 31, 2005 to 30 as of December 31, 2006. Also, the increase in net sales is due to a rise in comparable store sales, which increased 4% in 2006.

Gross profit dollars increased from approximately $92,424 for the twelve months ended December 31, 2005 to approximately $126,306 for the twelve months ended December 31, 2006. This change was attributable to the increase in net sales. Cost of sales increased from approximately $99,754 for the twelve months ended December 31, 2005 to approximately $138,385 for the twelve months ended December 31, 2006. Cost of sales also increased as a percentage of net sales from 51.9% in the twelve months ended December 31, 2005 to 52.3% in the twelve months ended December 31, 2006. Increase in cost of sales as a percentage of net sales is primarily related to the increase in reserve for slow-moving inventory. This reserve increased from $800 to $4,254 as of December 31 2005 and 2006, respectively. The increase in cost of sales was also related to costs not absorbed by production caused by financing constraints in the fourth quarter of fiscal 2006 as well as the increased costs resulting from rapid introduction of multiple new styles for the retail channel. As a result, gross profit decreased as a percentage of sales, from 48.1% for the twelve months ended December 31, 2005 to 47.7% for the twelve months ended December 31, 2006. Other factors that contributed to the increase in cost of goods sold were increased expenses related to freight-out, raw materials, direct and indirect labor, dyeing, workers compensation insurance and rent.

Selling expenses increased from approximately $34,164 for the twelve months ended December 31, 2005 to approximately $49,320 for the twelve months ended December 31, 2006. This increase was primarily attributable to increased rent, payroll, advertising, promotion and catalog expenses associated with opening of new retail stores, higher level of sales and promotional campaigns during fiscal 2006. Selling expenses also increased as a

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percentage of sales from 17.8% in the twelve months ended December 31, 2005 to 18.6% for the twelve months ended December 31, 2006, as the company spent higher amounts on retail store startup costs and location advertising.

Warehouse and distribution expenses decreased from approximately $8,514 for the twelve months ended December 31, 2005 to approximately $6,669 for the twelve months ended December 31, 2006. As a percentage of sales this decrease represented a drop from 4.4% of sales down to 2.5%. This decrease is primarily related to allocation of rent expenses after an additional warehouse building was occupied during 2006. This allocation resulted in a higher amount of corporate rent expense allocated to general and administrative expenses.

General and administrative expenses increased from approximately $39,438 for the twelve months ended December 31, 2005 to approximately $61,017 for the twelve months ended December 31, 2006. This increase was primarily related to the increase in rent expense for leases at new retail store locations. In addition, other significant increases were evident in salaries and wages, depreciation and amortization, professional fees, credit card service fees and utilities, all related to the buildup required to support store expansion and sales increases.

Interest expense increased from approximately $6,006 for the twelve months ended December 31, 2005 to approximately $10,797 for the twelve months ended December 31, 2006. This increase was primarily attributable to increased borrowing levels in 2006 to support the rapid growth of the company.

Income tax provision increased from approximately $392 for the twelve months ended December 31, 2005 to approximately $1,335 for the twelve months ended December 31, 2006, as a result of an increase in foreign profits. AAI was a subchapter S corporation. Therefore, domestic earnings and losses for Federal tax reporting purposes are included in the personal tax returns of the stockholders and taxed according to their personal tax strategies. Accordingly, the company does not incur additional Federal income tax obligations, and the consolidated financial statements do not include any provision for Federal income taxes.

Net income decreased from approximately $3,583 for the twelve months ended December 31, 2005 to a loss of approximately $1,624 for the twelve months ended December 31, 2006. This decrease was primarily attributable to the increase in selling, general and administrative and interest expense as described above.

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The CI Companies

Condensed Combined Statements of Income

For the Three Months Ending March 31, 2007 and 2006

(In CDN $)

	Three Months Ended March 31, 2007		2006	
	(Unaudited)		(Unaudited)	
Sales	$ 8,364	100.0%	$ 6,945	100.0%
Cost of sales	3,093	37.0%	2,539	36.6%
Gross profit	5,272	63.0%	4,406	63.4%
Operating expenses	4,885	58.4%	4,172	60.1%
Income before interest	386	4.6%	234	3.4%
Interest Expense	335	4.0%	245	3.5%
Income before provision for income taxes	51	0.6%	(11)	-0.1%
Provision for income taxes (Note 13)				
Current	74	0.9%	62	0.9%
Deferred			(43)	(0.6%)
	74	0.9%	19	0.3%
Net loss for the period	$ (23)	(0.3%)	$ (30)	(0.4%)

Three months ended March 31, 2007 compared with three months ended March 31, 2006

Net sales for the three months ended March 31, 2007 were approximately $8,364, a $1,419 or 20.4% increase from the sales of approximately $6,945 for the three months ended March 31, 2006.

Retail sales for the period increased to $5,414 from $3,594. This increase of $1,820 is attributable to the increase in comparable store sales of $998, or 28% with the balance of the increase due to the opening of additional stores. The main contributing factor in the increase of retail sales from 2006 to 2007 is due to the greater number of sales promotions offered at our stores.

Wholesale sales decreased to $2,950 in 2007 from $3,351 in 2006 for a total decrease of $401 or 12.0%. This decrease can be attributed to the change of focus to our retail activities from our wholesale operations.

Gross profit dollars increased from approximately $4,406 for the three months ended March 31, 2006 to approximately $5,272 for the three months ended March 31, 2007. Retail gross profit has increased to $3,569, or 66% of sales, for the three months ended March 31, 2007 from $2,484, or 69% of sales, for the three months ended March 31, 2006. The decrease in our retail gross profit percentage for the three months ended March 31, 2007 is mainly attributable to the increase in sales promotions for the three months ended March 31, 2007 versus the three months ended March 31, 2006. Wholesale gross profit decreased to $1,703, or 58% of sales, for the three months ended March 31, 2007 from $1,922, or 57% of sales, for the three months ended March 31, 2006. The decrease in our wholesale gross profit can be attributed mainly to lower sales as noted above. The increase in the over all gross profit to 66% of sales for the three months ended March 31, 2007 from 62% of sales for the three months ended March 31, 2006 can be attributed to a greater percentage of our total sales coming from retail versus wholesale with the higher gross profit percentage earned on retail sales.

Operating expenses increased from approximately $4,173 for the three months ended March 31, 2006 to approximately $4,885 for the three months ended March 31, 2007. Salaries and wages increased by $345 mainly due to the opening of new stores and the increase in sales volume in our existing stores. Rent increased by $139 also due to the opening of new stores. Depreciation and amortization expenses increased from approximately $385 for the three months ended March 31, 2006 to approximately $446 for the three months ended March 31, 2007. This increase was due to the additional capital expenditures necessitated by the opening of new stores in the latter half of 2006.

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Interest expenses increased from approximately $245 for the three months ended March 31, 2006 to approximately $335 for the three months ended March 31, 2007. This increase is attributable to the additional financing required for the capital expenditures required for new store openings and the extra inventory needed for these stores.

Income tax provision increased from approximately $19 for the three months ended March 31, 2006 to approximately $74 for the three months ended March 31, 2007 due to increased income.

Net loss decreased from approximately $30 for the three months ended March 31, 2006 to a loss of approximately $22 for the three months ended March 31, 2007. This decrease was primarily attributable to the increase in net sales as described above.

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CI Companies

Combined Statements of Income

For the Twelve Months Ending December 31, 2006 and 2005

(In CDN $)

	Year Ended December 31,			
	2006		2005 (Unaudited)	
Sales	$ 34,658	100.0%	$ 29,283	84.5%
Cost of sales	12,528	36.1%	11,119	32.1%
Gross profit	22,130	63.9%	18,164	52.4%
Operating expenses	20,797	60.0%	17,391	50.2%
Income before financial	1,333	3.8%	773	2.2%
Interest	1,151	3.3%	642	1.9%
Income before provision for income taxes	182	0.5%	131	0.4%
Provision for income taxes				
Current	496	1.4%	309	0.9%
Deferred	(225)	(0.6%)	(171)	(0.5%)
	271	0.8%	138	0.4%
Net loss	$ (89)	(0.3%)	$ (7)	0.0%

Twelve months ended December 31, 2006 compared with twelve months ended December 31, 2005

Net sales for the twelve months ended December 31, 2006 were approximately $34,658, a $5,375 or 18.4% increase from the sales of approximately $29,283 for the twelve months ended December 31, 2005.

Retail sales for the year increased to $22,014 from $15,596. This increase of $6,418 is attributable to the increase in comparable store sales of $1,568, or 10% with the balance of the increase due to the opening of additional stores. The increase in comparable sales can be attributed to concentrated efforts to consistently and reliably provide high quality service and product. This has generated loyalty from repeat customers and has sparked interest in consumers new to American Apparel.

Wholesale sales decreased to $12,644 in 2006 from $13,687 in 2005 for a total decrease of $1,043 or 7.6%. This decrease can be attributed to the change of focus to our retail activities from our wholesale operations.

Gross profit dollars increased from approximately $18,164 for the twelve months ended December 31, 2005 to approximately $22,130 for the twelve months ended December 31, 2006. Retail gross profit increased to $16,963, or 77% of sales, for 2006 from $11,840, or 76% of sales, for 2005. Wholesale gross profit decreased to $5,167, or 41% of sales, in 2006 from $6,324, or 46% of sales, in 2005. The decrease in our wholesale gross profit percentage can be attributed mainly to lower pricing due to the highly competitive nature of the industry in Canada. The increase in the over all gross profit to 63% of sales in 2006 from 61% of sales in 2005 can be attributed to a greater percentage of total sales coming from retail with a higher gross profit percentage. In 2006 retail sales accounted for 64% of total sales and in 2005 retail sales accounted for just 53% of total sales.

Operating expenses increased from approximately $17,391 for the twelve months ended December 31, 2005 to approximately $20,797 for the twelve months ended December 31, 2006. Salaries and wages increased by $1,759 mainly due to the opening of five new stores and the increase in sales volume in our existing stores. Rent increased by $1,221 due to the opening of new stores. Advertising and promotion increased by $135 due to our successful efforts to both build awareness and promote new and existing stores. Depreciation and amortization expenses increased from approximately $1,146 for the twelve months ended December 31, 2005 to approximately $1,671 for the twelve months ended December 31, 2006. This increase was due to the additional capital expenditures necessitated by the opening of new stores in 2006.

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Interest expenses increased from approximately $642 for the twelve months ended December 31, 2005 to approximately $1,151 for the twelve months ended December 31, 2006. This increase is attributable to the additional financing required for the capital expenditures incurred in opening of new stores and the additional inventory required to stock the new stores.

Income tax provision increased from approximately $138 for the twelve months ended December 31, 2005 to approximately $271 for the twelve months ended December 31, 2006.

Net loss increased from approximately $7 for the twelve months ended December 31, 2005 to a loss of approximately $89 for the twelve months ended December 31, 2006. This increase was primarily attributable to the increase in salaries, rent and interest as described above.

Liquidity and Capital Resources

American Apparel generally funds its operations and working capital needs through cash generated from operations and borrowings under its credit facilities, term loans and promissory notes.

The typical cash flow cycle from operations is as follows:

Yarn inventory is purchased to meet expected demand plus a safety stock. The yarn supplied from the United States and Mexico is generally purchased directly from the yarn mills while yarn from Pakistan and other countries is purchased through yarn brokers. Payment terms for these vendors average 60 days from the date the product ships from the mill in the United States or Mexico and from other sources, from the US warehouse or US entry point of direct shipments. Increased sales have resulted in increased levels of inventory, and therefore an increase in the amount of cash required to fund inventory levels. The growth in the number of worldwide retail stores has resulted in increased levels of finished goods inventory at retail and back up inventory at the distribution centers. The need to respond quickly to trends and product demand has also resulted in higher inventory levels at the intermediate stages, greige goods and dyed fabrics, to permit faster product completion in our vertically integrated manufacturing system. The seasonality of our products in both the retail and wholesale channels would generally result in an overall inventory buildup in the first quarter to be positioned properly to support sales in the second and third quarters.

Sales to wholesale customers generally have payment terms of 30 days. The increased sales have resulted in an increase in the level of accounts receivable, and therefore have increased the amount of cash required to fund working capital.

A summary of inventory and trade accounts receivable for AAI were as follows:

	March 31, 2007 (Unaudited)	December 31, 2006	December 31, 2005 (Unaudited)
Inventory	85,911	76,470	67,534
Trade Receivables	15,620	13,969	11,616

As of March 31, 2007, and December 31, 2006 and 2005, AAI maintained an allowance for doubtful accounts of $2,053, $2,163 and $1,286, respectively. For the same periods, AAI s provision for slow moving inventories was $4,254, $4,254 and $800, respectively.

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A summary of inventory and accounts receivable for the CI companies (in CDN$):

	March 31, 2007 (unaudited)	December 31, 2006	December 31, 2005 (Unaudited)
Inventory	8,352	8,161	7,393
Trade Receivables	1,666	1,317	2,536

As of March 31, 2007, and December 31, 2006 and 2005, the CI companies maintained an allowance for doubtful accounts of CDN$31, CDN$30 and CDN$32, respectively.

American Apparel has been able to fund its increased working capital through an asset-based line of credit with a bank. The lender follows a borrowing base formula that allows advances based on the levels of accounts receivable and inventory and various other conditions. In addition, American Apparel also has term loans with banks and various notes payable.

A major portion of capital expenditures for American Apparel are for production machinery and information systems. Decisions to purchase equipment and machinery are based upon the planning for required inventory levels. Certain types of equipment are more efficient at production of certain styles so that the desired inventory mix may also influence the decisions made regarding the types of equipment and machinery that are being purchased.

Another major portion of capital expenditures are made for leasehold improvement costs related to retail store openings as well as for continuing store operations. These leasehold improvements are capitalized of the shorter of either the life of the lease or the useful lives of improvements.

As of December 31, 2006, AAI had a working capital deficiency aggregating $29,415. As of December 31, 2006, AAI also failed to meet certain debt covenants relating to its financing agreements with its bank and then current second lien lender. As a result of these covenant violations, AAI is (or was) in default of provisions stipulated in its financing agreements. Therefore, these financial institutions have (or had) the right to require payment in full of all outstanding debt (approximately $68,400 at December 31, 2006). As a result, on December 31, 2006 a certain portion of the outstanding long term debt was reclassified from long term liabilities to current liabilities.

AAI s management has actively pursued additional debt/equity financing and is in the process of renegotiating its loan covenants under its existing credit facilities. AAI obtained additional financing from a new second lien lender during January 2007. In connection with this financing the amounts due to the original second lien lender and certain term loans with its bank were paid in full. In addition, on December 18, 2006, American Apparel entered into the Acquisition Agreement with Endeavor.

Going forward, American Apparel s management believes that it will be successful in obtaining additional funding and if necessary, negotiating waivers to certain loan covenants with its existing lenders. However, no assurance can be provided that American Apparel will obtain the additional funding or that its lenders will grant waivers if there are further covenant violations.

American Apparel s strategy for funding its business going forward is a combination of the following: increased profitability; increased borrowing lines as required with traditional lenders (asset-based); and utilization of the proceeds available from the business combination with Endeavor to fund its business as well as potential acquisitions. These proceeds could potentially be used to pay off the existing debt; fund working capital increases; fund acquisitions of other businesses and pay dividends to current AAI stockholders for their income tax liabilities. Even if the existing debt is paid down, it is likely that AAI will continue to maintain available lines of credit on an asset-backed basis in order to fund working capital needs in the future.

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Cash Flow Overview AAI

Net cash provided by operations of AAI was approximately $9,063 for the year ended December 31, 2006 compared to the net cash used by operations of ($348) for the year ended December 31, 2005. AAI has generated positive cash flow from operations for the year ended December 31, 2006 but recorded a net loss for the year due to increased operating expenses, specifically selling and general and administrative expenses.

Net cash used in investing activities of AAI was approximately ($15,232) and ($18,078) for the years ended December 31, 2006 and 2005, respectively. The major investing activity is for capital expenditures, primarily manufacturing machinery and equipment as well as leasehold improvements at retail stores and the manufacturing plant.

Net cash provided by financing of AAI activities was approximately $6,001 and $19,716 for the years ended December 31, 2006 and 2005 respectively. The primary source of funds during the past three years has been borrowings under lines of credit, notes payable to unrelated parties and term loans. These borrowings have been made in order to fund the working capital increases that have occurred as a result of the rapid expansion of AAI. These proceeds were used to support the repayments of exiting debt and fund the investing activities related to the purchase of machinery and equipment and leasehold improvements.

Cash Flow Overview The CI Companies (in CDN$)

Net cash used in operations of the CI companies was approximately $(519) for the year ended December 31, 2006 compared to the net cash provided by operations of $128 for the year ended December 31, 2005.

Net cash used in investing activities of the CI companies was approximately ($1,881) and ($3,908) for the years ended December 31, 2006 and 2005 respectively. The major investing activity is for capital expenditures, primarily leasehold improvements related to retail stores. Decrease in cash outflow for investments in leasehold improvements is a result of a lower number of new stores opened in Canada in 2006 compared to 2005. During 2006, five new stores were opened while during 2005 eleven new stores were opened.

Net cash provided by financing activities of the CI companies activities was approximately $2,814 and $4,025 for the years ended December 31, 2006 and 2005 respectively. Cash inflow provided by financing activities was reduced primarily because a lower amount of new debt was issued while a significant amount of long term debt was repaid in 2006.

Obligations Overview AAI

Debt Agreements

The following is an overview of AAI s long term and current debt. Payments due on these obligations are summarized in the table of contractual obligations below.

At December 31, 2006, the revolving credit facility with a bank provided for borrowings up to $57,500. Borrowings under the facility are subject to certain advance provisions established by the bank and are collateralized by all assets of AAI. Interest under the agreement is at LIBOR (5.30% at December 31, 2006) plus 2.5% or the bank s prime rate (8.25% at December 31, 2006) plus 2.25%, at AAI s option. The interest rate was 10.5% at December 31, 2006. The facility expires in January 2010. The average borrowings during the year were $46,500. AAI s stockholders personally guaranteed the borrowings. On January 18, 2007, AAI negotiated an increase in the size of its credit facility to $62,500. Among other requirements, this facility agreement includes a subjective acceleration clause and requires AAI to maintain a lock box. Currently, AAI is not in compliance with certain financial ratio covenants.

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At December 31, 2006, AAI had two term loans with a bank. The first loan is payable in monthly installments of $417, including interest at prime plus 1% through September 2007. The balance at December 31, 2006 was $3,750. The second loan was payable in monthly installments of $48, including interest at prime (8.25% at December 31, 2006) plus 1% through March 2010. The balance at December 31, 2006 was $1,872. Both of these loans were secured by related equipment. On January 18, 2007, AAI completed a $41 million secured debt financing with a private investment firm. A portion of the financing proceeds was used to pay off both of these loans without any prepayment penalty. Since the new debt is in default, these term loans are presented as current liabilities on AAI s consolidated financial statements.

At December 31, 2006, AAI had two term loans with a financial institution. The first loan is payable in monthly installments of $5, including interest at prime (8.25% at December 31, 2006) plus 1% through October 2007. The balance at December 31, 2006 was $52. The second loan is payable in monthly installments of $22, including interest at prime plus 1% through December 2008. The balance at December 31, 2006 was $391. Both of these loans are secured by related equipment.

At December 31, 2006, AAI had various promissory notes payable in monthly installments aggregating $24, including interest ranging from 4.6% to 11.9% and maturing at various dates through August 2011. The notes are collateralized by equipment.

At December 31, 2006, AAI had two leasehold improvement term loans. The first loan is payable in monthly installments of $3 through March 2010, including interest at a rate of 8%. The balance at December 31, 2006 was $114. The second loan is Payable in monthly interest only payments at 9% through April 2007. The balance at December 31, 2006 was $958.

Unsecured notes payable to certain unrelated individuals are due upon demand with interest ranging from 12% to 24% per annum. The balance outstanding at December 31, 2006 is $6,259, which is personally guaranteed by a stockholder of AAI.

Unsecured notes payable to certain individuals related to a stockholder of AAI are due upon demand with interest ranging from 12% to 18% per annum. The balance outstanding at December 31, 2006 is $2,391.

AAI has a financing agreement for borrowings of $12,500 with an unrelated third party, (the current second lien lender). Interest on the loan is at a rate of 17%. AAI pays monthly interest payments at a rate of 11% on the current outstanding principal balance. The remaining unpaid portion of all monthly interest is added to the principal balance. The balance outstanding at December 31, 2006 was $14,201, which includes accrued interest aggregating $1,701. On January 18, 2007, the Company completed a $41 million secured debt financing with a private investment firm (Note 23). A portion of the financing proceeds was used to pay off this loan plus the accrued interest without any prepayment penalty. Since the new debt is in default, these notes are presented as current liabilities on AAI s balance sheet. This note was subordinated to the bank. The agreement contained default and covenant provisions similar to the current bank agreement. At December 31, 2006, AAI was not in compliance with certain financial ratio covenants.

AAI has unsecured notes payable with a related party (relative of a stockholder), which are due upon demand with interest at 18%. The balance outstanding at December 31, 2006 is $180. The note is subordinated to the interest of the bank which holds AAI s current revolving credit facility.

AAI has an unsecured note payable to a stockholder which is due on demand with interest at 12%. The balance outstanding at December 31, 2006 is $180. The note is subordinated to the interest of the bank.

AAI leases certain equipment under capital lease arrangements expiring at various times through 2011. The assets and liabilities under capital leases are recorded at the lower of the present values of the minimum lease payments or the fair values of the assets.

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On January 18, 2007, AAI completed a $41 million secured debt financing with a private investment firm. The proceeds of the financing were used to repay AAI s subordinated notes payable held by its then current second lien holder of $15,000 (including principal, interest and fees), and to repay its term loans with its bank of $5,600. Net proceeds related to the secured debt financing amounted to approximately $18 million. Indebtedness under the agreement bears interest at 16% per annum, payable monthly and matures on November 30, 2008. The agreement requires AAI to meet certain financial covenants. In the event AAI is in default under the agreement the interest rate increases to 21% per annum and the private investment firm has the right to demand payment in full of all outstanding indebtedness. Currently AAI is not in compliance with certain financial ratio covenants. The agreement does not allow any prepayments prior to January 18, 2008. Subsequent to that date, any prepayment must include a prepayment premium equal to 3% of the amount prepaid.

Contractual Obligations Summary

The following table summarizes AAI s contractual commitments as of December 31, 2006, which relate to future minimum payments due under non-cancelable licenses, leases, long-term debt and advertising commitments:

		Payments due by period			
Contractual Obligations	**Total**	**Less than 1 year**	**1-3 years**	**4-5 years**	**More than 5 years**
Long term debt	$ 55,929	$ 55,624	$ 282	$ 23	$
Current debt	23,211	23,211			
Capital lease obligations	6,989	3,397	3,127	465	
Operating lease obligations	163,454	25,284	44,660	34,441	59,069
Advertising Commitments	1,963	1,963			
Total	$ 251,546	$ 109,479	$ 48,069	$ 34,929	$ 59,069

As of March 31, 2007 and December 31, 2006, AAI failed to meet certain debt covenants related to its financing agreements with its bank as well as its then current second lien lender. As a result, AAI is in default of provisions stipulated in certain financing agreements. Lenders on these defaulted agreements have the right to demand full payment of related outstanding debt. Therefore, certain portions of the long term debt shown above have been reclassified to current liabilities. These matters raise substantial doubt about the AAI s ability to continue as a going concern.

American Apparel s management is actively pursuing additional debt/equity financing and is in the process of negotiating the loan covenants under its existing credit facilities. As a result of these efforts, AAI obtained additional financing from a new second lien lender during January 2007. In connection with this financing the amounts due to the original second lien lender and certain term loans with its bank were paid in full. In addition, on December 18, 2006 AAI entered into the Acquisition Agreement with Endeavor, which is currently a blank check company listed on the American Stock Exchange.

American Apparel s management believes that AAI s cash flows from operations, cash on hand, equity financing from the business combination with Endeavor should the acquisition actually be consummated and other available borrowings will be sufficient to meet working capital and capital expenditure requirements and provide adequate liquidity to meet anticipated operating needs for at least the next 12 months. Cash requirements for working capital for the period beyond are expected to be met by a combination of the cash proceeds from operations as well as the continued use of bank facilities to meet working capital requirements. However, should the business combination not be consummated, then American Apparel may not have adequate funds for its operations during the next twelve months.

Obligations Overview The CI Companies (in CDN$)

Long Term and Current Debt

The following is an overview of the CI companies long term and current debt. Payments due on these obligations are summarized in the table of contractual obligations below.

The CI companies have a line of credit facility with maximum borrowings of $4,500, due on demand, bearing interest at the bank s prime rate plus 1% per annum payable monthly. This line of credit is secured by a $5,000 moveable hypothec and provides for a charge on the CI companies accounts receivable, inventory and all other moveable assets and by Section 427 under the Bank Act of Canada on inventory.

The bank s agreement contains various covenants which require the CI companies to maintain certain financial ratios and commitments as defined by the bank. As at December 31, 2006, the CI companies were not in compliance with certain of these covenants.

Certain of the CI companies have provided unlimited corporate guarantees to secure this credit facility. These guarantees are secured by either moveable hypothecs in the amount of $3,200 or general assignment agreements.

In addition to the line of credit facility, the CI companies have the following long term debt:

Various bank term loans, repayable in monthly capital installments aggregating $37 plus interest at rates ranging from the bank s prime rate plus 2% to the bank s prime rate plus 3% per annum, maturing at dates ranging from 2008 to 2011. Aggregate balance of these loans was $1,323 at December 31, 2006.

Loan of $450 U.S. from a member of the immediate family of the stockholder, being a director of a company, bearing interest at 18% and without terms of repayment. The loan has been subordinated in favor of the bank. This loan will not be repaid prior to January 1, 2008. Balance of this loan was $524 at December 31, 2006.

Loan of $5,097 U.S. from the stockholder, non-interest bearing and without terms of repayment. An amount of $2,394 has been subordinated in favor of the bank. The stockholder has agreed to subordinate an additional $1,508. This loan will not be repaid prior to January 1, 2008. Balance of this loan was $5,097 at December 31, 2006.

Mortgage maturing November 2009, bearing interest at 4.85% per annum. The mortgage is secured by the building and is repayable in monthly installments of $2, combining principal and interest. Balance of this loan was $408 at December 31, 2006.

Loan from a member of the immediate family of the stockholder, and a director of a company, bearing interest at 15% and without terms of repayment. The loan has been subordinated in favor of the bank. This loan will not be repaid prior to January 1, 2008. Balance of this loan was $300 at December 31, 2006.

Loan from an individual, bearing interest at 14%, repayable in blended monthly payments of $21,366, maturing in 2007. Balance of this loan was $219 at December 31, 2006.

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Contractual Obligations Summary

The following table summarizes the CI companies contractual commitments as of December 31, 2006, which relate to future minimum payments due under non-cancelable licenses, leases and other debt (in CDN$):

		Payments due by period			
Contractual Obligations	Total	Less than 1 year	1-3 years	4-5 years	More than 5 years
Long term debt, excluding interest	$ 1,950	$ 687	$ 717	$ 193	$ 353
Interest	489	121	102	29	237
Capital lease obligations	48	39	9		
Operating lease obligations	21,749	3,457	6,046	4,714	7,532
Total	$ 23,747	$ 4,183	$ 6,772	$ 4,907	$ 7,885

Non-GAAP Discussion

In addition to its GAAP results, American Apparel considers non-GAAP measures of its performance. EBITDA, as defined below, is an important supplemental financial measure of American Apparel s performance that is not required by, or presented in accordance with, GAAP. EBITDA represents net income (loss) before income taxes, minority interest in net income of affiliates, interest expense, and depreciation and amortization. American Apparel s management uses EBITDA as a financial measure to assess the ability of its assets to generate cash sufficient to pay interest on its indebtedness, meet capital expenditure and working capital requirements, pay taxes, and otherwise meet its obligations as they become due. American Apparel s management believes that the presentation of EBITDA provides useful information regarding American Apparel s results of operations because they assist in analyzing and benchmarking the performance and value of American Apparel s business. American Apparel believes that EBITDA is useful to stockholders as a measure of comparative operating performance, as it is less susceptible to variances in actual performance resulting from depreciation and amortization and more reflective of changes in pricing decisions, cost controls and other factors that affect operating performance.

EBITDA also is used by American Apparel s management for multiple purposes, including:

- to calculate and support various coverage ratios with American Apparel s lenders
- to allow lenders to calculate total proceeds they are willing to loan to American Apparel based on its relative strength compared to its competitors
- to more accurately compare American Apparel s operating performance from period to period and company to company by eliminating differences caused by variations in capital structures (which affect relative interest expense), tax positions and amortization of intangibles.

In addition, EBITDA is an important valuation tool used by potential investors when assessing the relative performance of a company in comparison to other companies in the same industry. Although American Apparel uses EBITDA as a financial measure to assess the performance of its business, there are material limitations to using a measure such as EBITDA, including the difficulty associated with using it as the sole measure to compare the results of one company to another and the inability to analyze significant items that directly affect a company s net income (loss) or operating income because it does not include certain material costs, such as interest and taxes, necessary to operate its business. In addition, American Apparel s calculation of EBITDA may not be consistent with similarly titled measures of other companies and should be viewed in conjunction with measures that are computed in accordance with GAAP. American Apparel s management compensates for these limitations in considering EBITDA in conjunction with its analysis of other GAAP financial measures, such as net income (loss).

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American Apparel s management assesses its financial performance in a number of ways, of which Combined Condensed EBITDA performance is one factor. Combined Condensed EBITDA is the sum of the AAI EBITDA and the CI EBITDA, net of inter-company eliminations. In general terms, American Apparel has been attempting to increase sales and Combined Condensed EBITDA each year, with the overall goal being to increase the percentage growth in Combined Condensed EBITDA at a faster rate than the sales growth percentage. In terms of that one factor, American Apparel s performance in 2006 as compared to 2005 showed year over year sales growth of 37.7%, and EBITDA growth of 29.7% and 68.1% for AAI and the CI companies, respectively.

Reconciliation of American Apparel s Combined Condensed EBITDA

The following table presents a reconciliation of American Apparel s EBITDA to its net income (loss), the most directly comparable GAAP financial measure, on a historical basis, for the periods presented:

	Three Months Ended March 31,		Year Ended December 31,	
	2007 (unaudited)	**2006 (unaudited)**	**2006 (unaudited)**	**2005 (unaudited)**
Net income (loss)	$ 1,504	$ (518)	$ (1,884)	$ 3,253
Income taxes	660	(19)	1,574	506
Interest expense	3,960	2,620	11,811	6,536
Depreciation and amortization	2,906	2,546	10,899	6,328
Related-party management fee	85		2,045	1,896
EBITDA	$ 9,116	$ 4,629	$ 24,445	$ 18,519

Reconciliation of AAI s EBITDA

The following table presents a reconciliation of the AAI s EBITDA to its net income (loss) for, the most directly comparable GAAP financial measure, on a historical basis, for the periods presented:

	Three Months Ended March 31,		Year Ended December 31,	
	2007 (unaudited)	**2006 (unaudited)**	**2006 (unaudited)**	**2005 (unaudited)**
Net income (loss)	$ 1,709	$ (313)	$ (1,624)	$ 3,583
Income taxes	597	(35)	1,335	392
Interest expense	3,674	2,408	10,797	6,006
Depreciation and amortization	2,526	2,213	9,430	5,387
EBITDA	$ 8,506	$ 4,273	$ 19,938	$ 15,368

Reconciliation of the CI companies EBITDA

The following table presents a reconciliation of the CI companies EBITDA to their net income (loss), the most directly comparable GAAP financial measure, on a historical basis, for the periods presented:

	Three Months Ended March 31,			
	2007 CDN $ (unaudited)	**2007 USD $ (unaudited)**	**2006 CDN $ (unaudited)**	**2006 USD $ (unaudited)**

Net loss	$ (23)	$ (19)	$ (30)	$ (26)
Income taxes	74	63	19	16
Interest expense	335	286	245	212
Depreciation and amortization	446	381	385	333
Related party management fee	100	85		
EBITDA	$ 932	$ 796	$ 619	$ 535

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The following table presents a reconciliation of the CI companies EBITDA to their net income (loss), the most directly comparable GAAP financial measure, on a historical basis, for the periods presented:

	Year Ended December 31,			
	2006 CDN $ (unaudited)	2006 USD $ (unaudited)	2005 CDN $ (unaudited)	2005 USD $ (unaudited)
Net loss	$ (89)	$ (77)	$ (7)	$ (6)
Income taxes	271	239	138	114
Interest expense	1,151	1,014	642	530
Depreciation and amortization	1,671	1,473	1,146	941
Related party management fee	2,320	2,045	2,298	1,896
EBITDA	$ 5,324	$ 4,694	$ 4,217	$ 3,475

Quantitative and Qualitative Disclosures about Market Risk

American Apparel s exposure to market risk is limited to interest rate risk associated with American Apparel s credit facilities and foreign currency exchange risk associated with American Apparel s foreign operations.

Based on AAI s interest rate exposure on variable rate borrowings at December 31, 2006, a one percentage point increase in average interest rates on AAI s borrowings would increase future interest expense by approximately $68 per month. AAI determined these amounts based on approximately $82,051 of variable rate borrowings at December 31, 2006, multiplied this amount by 1% and divided by twelve. AAI is currently not using any interest rate collars or hedges to manage or reduce interest rate risk. As a result, any increase in interest rates on AAI s variable rate borrowings would increase interest expense and reduce net income.

The majority of AAI s operating activities are conducted in US dollars. Approximately 18% of AAI s sales are denominated in other currencies such as Euros, or British Pounds Sterling. Nearly all of AAI s production costs and material costs are denominated in US dollars although the majority of the yarn is sourced from outside the United States. A 10% change in the exchange rate of the US dollar with respect to the foreign countries where the company operates, in a scenario where the US dollar would appreciate against other currencies could have a significant impact on AAI s earnings. We have estimated that for 2006, such a gain in the value of the US$ would have resulted in a decrease of approximately $3,000 in net income due to the United States being the source for the goods being sold as well as the effect on retail margins which is the primary sales channel in those markets. We have not, however, factored in our ability to raise prices in those markets to compensate for such an increase in the effective cost of our products in foreign markets.

While the CI companies purchases from AAI are denominated in US dollars, its operating activities and all of its sales are denominated in Canadian dollars. A 10% change in the exchange rate of the US dollar with respect to the Canadian dollar, in a scenario where the US dollar would appreciate against the Canadian dollar could have a significant impact on the CI companies earnings. We have estimated that for 2006, such a gain in the value of the US$ would have resulted in a decrease of approximately $1,000 in net income of the CI companies due to the United States being the source for the goods being sold as well as the effect on retail margins which is the primary sales channel for the CI companies. We have not, however, factored in our ability to raise prices in the Canadian market to compensate for such an increase in the effective cost of our products in Canada.

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DIRECTORS AND EXECUTIVE OFFICERS OF ENDEAVOR FOLLOWING THE ACQUISITION

At the effective time of the acquisition, the board of directors and executive officers of Endeavor will be as follows:

Name	Age	Position
		Chairman of the board and director
Dov Charney		Chief executive officer, president and director
		Chief financial officer and treasurer
		Chief operating officer
		Chief information officer
		Director
		Director
		Director
		Director
		Director
		Director
		Director

Dov Charney, 38, is founder of AAI and has served as a director, chief executive officer and president of AAI since its formation in 2002 and has been a managing member of LLC since its formation in 1998. Prior to starting American Apparel, Mr. Charney founded American Heavy, Inc., an apparel company located in Columbia, South Carolina, in 1989, and served as its founder and chief executive officer until 1996.

Meetings and Committees of the Board of Directors of Endeavor

During the fiscal year ended December 31, 2006, Endeavor s board of directors held five meetings. Although Endeavor does not have any formal policy regarding director attendance at annual stockholder meetings, Endeavor will attempt to schedule its annual meetings so that all of its directors can attend. Endeavor expects its directors to attend all board and committee meetings and to spend the time needed and meet as frequently as necessary to properly discharge their responsibilities.

Independence of Directors

Endeavor will adhere to the rules of the American Stock Exchange in determining whether a director is independent. The board of directors of Endeavor also will consult with Endeavor s counsel to ensure that the board s determinations are consistent with those rules and all relevant securities and other laws and regulations regarding the independence of directors. The American Stock Exchange listing standards define an independent director generally as a person, other than an officer of a company, who does not have a relationship with the company that would interfere with the director s exercise of independent judgment. Consistent with these considerations, the board of directors of Endeavor has affirmatively determined that, upon appointment to the board of directors of Endeavor on the closing of the acquisition, will be the independent directors of Endeavor for the ensuing year.

Audit Committee

Effective December 21, 2005, Endeavor established an audit committee of the board of directors, which consists of Edward J. Mathias, as chairman, Jay H. Nussbaum and Richard Y. Roberts, each of whom is an independent director under the American Stock Exchange s listing standards. Following the consummation of the acquisition, the members of the audit committee will be , and .

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The audit committee s duties, which are specified in our Audit Committee Charter, include, but are not limited to:

- reviewing and discussing with management and the independent auditor the annual audited financial statements, and recommending to the board whether the audited financial statements should be included in our Form 10-K;

- discussing with management and the independent auditor significant financial reporting issues and judgments made in connection with the preparation of our financial statements;

- discussing with management and the independent auditor the effect on our financial statements of (i) regulatory and accounting initiatives and (ii) off-balance sheet structures;

- discussing with management major financial risk exposures and the steps management has taken to monitor and control such exposures, including our risk assessment and risk management policies;

- reviewing disclosures made to the audit committee by our principal executive officer and principal financial officer during their certification process for our Form 10-Ks and Form 10-Qs about any significant deficiencies in the design or operation of internal controls or material weaknesses therein and any fraud involving management or other employees who have a significant role in our internal controls;

- verifying the rotation of the lead (or coordinating) audit partner having primary responsibility for the audit and the audit partner responsible for reviewing the audit as required by law;

- reviewing and approving all related-party transactions including analyzing the shareholder base of each target business so as to ensure that we do not consummate a business combination with an entity that is affiliated with our management;

- inquiring and discussing with management our compliance with applicable laws and regulations;

- pre-approving all audit services and permitted non-audit services to be performed by our independent auditor, including the fees and terms of the services to be performed;

- appointing or replacing the independent auditor;

- reviewing proxy disclosure to ensure that it is in compliance with SEC rules and regulations;

- determining the compensation and oversight of the work of the independent auditor (including resolution of disagreements between management and the independent auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or related work; and establishing procedures for the receipt, retention and treatment of complaints received by us regarding accounting, internal accounting controls or reports which raise material issues regarding our financial statements or accounting policies.

Financial Experts on Audit Committee

The audit committee will at all times be composed exclusively of independent directors who are financially literate as defined under the American Stock Exchange s listing standards. The American Stock Exchange s listing standards define financially literate as being able to read and understand fundamental financial statements, including a company s balance sheet, income statement and cash flow statement.

In addition, we must certify to the American Stock Exchange that the committee has, and will continue to have, at least one member who has past employment experience in finance or accounting, requisite professional certification in accounting, or other comparable experience or background that results in the individual s financial sophistication. The board of directors has determined that Edward J. Mathias satisfies the American Stock Exchange s definition of financial sophistication and also qualifies as an audit committee financial expert, as defined under rules and regulations of the SEC.

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Auditor Fees

The firm of Marcum & Kliegman LLP acts as Endeavor s independent registered public accounting firm. The following is a summary of fees paid by Endeavor to Marcum & Kliegman LLP for services rendered.

Audit Fees

During the fiscal year ended December 31, 2006, audit fees for Endeavor s independent registered public accounting firm were $37,000.

During the period from July 22, 2005 (inception) to December 31, 2005, fees for Endeavor s independent registered public accounting firm were $70,000 for the services they performed in connection with Endeavor s IPO, including the financial statements included in the Form 8-K filed with the SEC on December 21, 2005 and the audit of Endeavor s December 31, 2005 Annual Report on Form 10-K.

Related Fees

During 2006, Endeavor s independent registered public accounting firm rendered audit related services amounting to $14,000 related to the American Apparel transaction.

Tax Fees

During 2006, Endeavor s independent registered public accounting firm rendered services to Endeavor for tax compliance, tax advice and tax planning in the amount of $3,500.

All Other Fees

During 2005 and 2006, there were no fees billed for products and services provided by Endeavor s independent registered public accounting firm other than those set forth above.

Audit Committee Approval

Since Endeavor s audit committee was not formed until December 2005, the audit committee did not pre-approve all of the foregoing services although any services rendered prior to the formation of Endeavor s audit committee were approved by Endeavor s board of directors. However, in accordance with Section 10A(i) of the Securities Exchange Act of 1934, before Endeavor engages its independent accountant to render audit or non-audit services on a going-forward basis, the engagement will be approved by our audit committee.

Code of Ethics

In December 2005, our board of directors adopted a code of ethics that applies to our directors, officers and employees as well as those of our subsidiaries. Requests for copies of our code of ethics should be sent in writing to Endeavor Acquisition Corp., 7 Times Square, 17th Floor, New York, New York 10036.

Compensation Committee Information

Upon consummation of the acquisition, the board of directors of Endeavor will establish a compensation committee with , and as its initial members, each an independent director under the American Stock Exchange s listing requirements. The purpose of the compensation committee will be to review and approve compensation paid to Endeavor s officers and to administer American Apparel s incentive compensation plans, including authority to make and modify awards under such plans. Initially, the only plan will be the 2007 performance equity plan.

Nominating Committee Information

Nominating Committee

Effective December 2005, Endeavor established a nominating committee of the board of directors, which consists of Kerry Kennedy, as chairman, and Robert B. Hersov, each of whom is an independent director under the American Stock Exchange s listing standards. Following the acquisition, the members will be , and , each an independent director under the American Stock Exchange s listing standards.

The nominating committee is responsible for overseeing the selection of persons to be nominated to serve on our board of directors. The nominating committee considers persons identified by its members, management, shareholders, investment bankers and others. The guidelines for selecting nominees, which are specified in the Nominating Committee Charter, generally provide that persons to be nominated should be actively engaged in business endeavors, have an understanding of financial statements, corporate budgeting and capital structure, be familiar with the requirements of a publicly traded company, be familiar with industries relevant to our business endeavors, be willing to devote significant time to the oversight duties of the board of directors of a public company, and be able to promote a diversity of views based on the person s education, experience and professional employment. The nominating committee evaluates each individual in the context of the board as a whole, with the objective of recommending a group of persons that can best implement our business plan, perpetuate our business and represent shareholder interests. The nominating committee may require certain skills or attributes, such as financial or accounting experience, to meet specific board needs that arise from time to time. The nominating committee does not distinguish among nominees recommended by shareholders and other persons.

There have been no material changes to the procedures by which security holders may recommend nominees to our board of directors.

Election of Directors; Voting Agreement

The Endeavor Inside Stockholders and Mr. Charney have entered into a voting agreement. The voting agreement provides that Mr. Charney, on the one hand, and such Endeavor Inside Stockholders, on the other hand, will each designate two directors and mutually designate three additional directors to Endeavor s board. Each of the parties to the voting agreement will vote for such designees as directors of Endeavor until immediately following the election that will be held in 2010. Endeavor will be obligated to have a board of directors comprised of seven members and to enable the election to the board of directors of the persons designated by the parties to the voting agreement. The voting agreement is attached to this proxy statement as *Annex D*. We encourage you to read the voting agreement in its entirety.

Immediately upon the consummation of the acquisition, the directors designated by Endeavor will be , and . Under the terms of the voting agreement, Mr. Charney, on the one hand, and the Endeavor Inside Stockholders, on the other hand, have agreed to vote for the designees to Endeavor s board of directors through the election in 2010 as follows:

in the class to stand for reelection in 2008 .

in the class to stand for reelection in 2009 , , and .

in the class to stand for reelection in 2010 and .

Endeavor s directors do not currently receive any cash compensation for their services as members of the board of directors. However, in the future, non-employee directors may receive certain cash fees and stock awards that the Endeavor board of directors may determine to pay.

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Executive Compensation

No executive officer of Endeavor has received any cash or non-cash compensation for services rendered to Endeavor. Each executive officer has agreed not to take any compensation prior to the consummation of a business combination.

Commencing December 21, 2005 and ending upon the consummation of the acquisition, Endeavor has paid and will continue to pay Ironbound Partners, an affiliate of Mr. Ledecky, a fee of $7,500 per month fee for providing Endeavor with office space and certain office and secretarial services. Other than this $7,500 per-month fee, no compensation of any kind, including finders and consulting fees, have been or will be paid to any of Endeavor s officers for services rendered prior to the closing of the acquisition. However, Endeavor s executive officers are reimbursed for any out-of-pocket expenses incurred in connection with activities on Endeavor s behalf such as identifying potential target business and performing due diligence on suitable business combinations. As of the record date, an aggregate of approximately $ has been reimbursed to them for such expenses.

Upon consummation of the acquisition, Endeavor will operate in the retail apparel industry. In connection with the acquisition of American Apparel, Endeavor will enter into an employment agreement with Mr. Charney for him to serve as Endeavor s chief executive officer. It also is anticipated that Endeavor will hire and enter into employment agreements with a chief financial officer, chief information officer and chief technology officer.

The policies of Endeavor with respect to the compensation of the aforementioned executive officers and other executive officers following the acquisition will be administered by Endeavor s board in consultation with its compensation committee. This committee will be formed from the independent directors on Endeavor s board following consummation of the acquisition. , and shall serve as its members. will be the initial chairperson of this committee. The compensation policies followed by Endeavor will be intended to provide for compensation that is sufficient to attract, motivate and retain executives of outstanding ability and potential and to establish an appropriate relationship between executive compensation and the creation of shareholder value. To meet these goals, the compensation committee will be charged with recommending executive compensation packages to Endeavor s board of directors.

It is anticipated that performance-based and equity-based compensation will be an important foundation in executive compensation packages as Endeavor believes it is important to maintain a strong link between executive incentives and the creation of shareholder value. Endeavor believes that performance and equity-based compensation can be an important component of the total executive compensation package for maximizing shareholder value while, at the same time, attracting, motivating and retaining high-quality executives. The employment agreements to be entered into by future executive officers of Endeavor and the adoption of the proposed 2007 performance equity plan reflect and will reflect what Endeavor believes is a focus on performance- and equity-based compensation. Since Endeavor will not have a compensation committee until completion of the acquisition, Endeavor has not yet adopted any formal guidelines for allocating total compensation between equity compensation and cash compensation for executives hired in the future.

Compensation Discussion and Analysis

Overall, Endeavor will seek to provide total compensation packages that are competitive in terms of potential value to its executives, and which are tailored to the unique characteristics and needs of Endeavor within its industry in order to create an executive compensation program that will adequately reward its executives for their roles in creating value for Endeavor shareholders. Endeavor intends to be competitive with other similarly situated companies in its industry following completion of the acquisition.

The compensation decisions regarding Endeavor s executives will be based on Endeavor s need to attract individuals with the skills necessary for Endeavor to achieve its business plan, to reward those individuals fairly over time, and to retain those individuals who continue to perform at or above Endeavor s expectations.

It is anticipated that Endeavor s executives compensation will have three primary components salary, cash incentive bonus and stock-based awards. Endeavor will view the three components of executive compensation as related but distinct. Although Endeavor s compensation committee will review total compensation, Endeavor does not believe that significant compensation derived from one component of compensation should negate or reduce compensation from other components. Endeavor anticipates determining the appropriate level for each compensation component based in part, but not exclusively, on its view of internal equity and consistency, individual performance and other information deemed relevant and timely. Since Endeavor s compensation committee will not be formed until consummation of the acquisition, Endeavor has not adopted any formal or informal policies or guidelines for allocating compensation between long-term and currently paid out compensation, between cash and non-cash compensation, or among different forms of compensation.

In addition to the guidance provided by its compensation committee, Endeavor may utilize the services of third parties from time to time in connection with the hiring and compensation awarded to executive employees. This could include subscriptions to executive compensation surveys and other databases.

Endeavor s compensation committee will be charged with performing an annual review of Endeavor s executive officers cash compensation and equity holdings to determine whether they provide adequate incentives and motivation to executive officers and whether they adequately compensate the executive officers relative to comparable officers in other companies.

Benchmarking of Cash and Equity Compensation

Endeavor believes it is important when making compensation-related decisions to be informed as to current practices of similarly situated publicly held companies in the health, safety and wellness industries. Endeavor expects that the compensation committee will stay apprised of the cash and equity compensation practices of publicly held companies in the health, safety and wellness and related industries through the review of such companies public reports and through other resources. It is expected that any companies chosen for inclusion in any benchmarking group would have business characteristics comparable to Endeavor, including revenues, financial growth metrics, stage of development, employee headcount and market capitalization. While benchmarking may not always be appropriate as a stand-alone tool for setting compensation due to the aspects of Endeavor post-acquisition business and objectives that may be unique to Endeavor, Endeavor generally believes that gathering this information will be an important part of its compensation-related decision-making process.

Compensation Components

Base Salary. Generally, Endeavor, working with the compensation committee, anticipates setting executive base salaries at levels comparable with those of executives in similar positions and with similar responsibilities at comparable companies. Endeavor will seek to maintain base salary amounts at or near the industry norms while avoiding paying amounts in excess of what Endeavor believes is necessary to motivate executives to meet corporate goals. It is anticipated base salaries will generally be reviewed annually, subject to terms of employment agreements, and that the compensation committee and board will seek to adjust base salary amounts to realign such salaries with industry norms after taking into account individual responsibilities, performance and experience.

Annual Bonuses. Endeavor intends to utilize cash incentive bonuses for executives to focus them on achieving key operational and financial objectives within a yearly time horizon. Near the beginning of each year, the board, upon the recommendation of the compensation committee and subject to any applicable employment agreements, will determine performance parameters for appropriate executives. At the end of each year, the board and compensation committee will determine the level of achievement for each corporate goal.

The performance parameters for which executive officers are eligible to receive cash bonuses under the terms of the employment agreements to be executed in connection with the consummation of the acquisition will be set by the compensation committee each year, within 45 days of approval of such year s annual budget.

Endeavor will structure cash incentive bonus compensation so that it is taxable to its employees at the time it becomes available to them. At this time, it is not anticipated that any executive officer s annual cash compensation will exceed $1 million, and Endeavor has accordingly not made any plans to qualify for any compensation deductions under Section 162(m) of the Internal Revenue Code.

Equity Awards. Endeavor also will use stock options and other stock-based awards to reward long-term performance. Endeavor believes that providing a meaningful portion of its executives total compensation package in stock options and other stock-based awards will align the incentives of its executives with the interests of Endeavor s shareholders and with Endeavor s long-term success. The compensation committee and board will develop their equity award determinations based on their judgments as to whether the complete compensation packages provided to Endeavor s executives, including prior equity awards, are sufficient to retain, motivate and adequately award the executives.

Equity awards will be granted through Endeavor s 2007 performance equity plan, which was adopted by Endeavor board and is being submitted to the stockholder of Endeavor for their consideration at the special meeting. All of Endeavor s employees, directors, officers and consultants will be eligible to participate in the 2007 performance equity plan. The material terms of the 2007 Performance Equity Plan are further described in the section of this proxy statement entitled 2007 performance equity plan Proposal. No awards have been made under the plan as of the date of this proxy statement. It is anticipated that all options granted under the plan in the future will have an exercise price at least equal to the fair market of Endeavor s common stock on the date of grant.

Endeavor will account for any equity compensation expense under the rules of SFAS 123R, which requires a company to estimate and record an expense for each award of equity compensation over the service period of the award. Accounting rules also will require Endeavor to record cash compensation as an expense at the time the obligation is accrued. Until Endeavor achieves sustained profitability, the availability to it of a tax deduction for compensation expense is not material to its financial position.

Severance Benefits. Endeavor currently has no severance benefits plan. Endeavor may consider the adoption of a severance plan for executive officers and other employee in the future. The employment agreements to be entered into by the persons who will initially serve as executive officers of Endeavor following consummation of the acquisition provide fore certain rights and obligations in the event of the termination of employment as more fully described in the section of this proxy statement entitled Employment Agreements.

Other Compensation. Endeavor will establish and maintain various employee benefit plans, including medical, dental, life insurance and 401(k) plans. These plans will be available to all salaried employees and will not discriminate in favor of executive officers. Endeavor may extend other perquisites to its executives that are not available to our employees generally.

Employment Agreement and Non-Competition Covenants

In connection with the consummation of the acquisition, Mr. Charney will enter into a three year employment agreement with Endeavor. Under the terms of the employment agreement, Mr. Charney will serve full-time as the chief executive officer of Endeavor and American Apparel for an initial term of three years. The employment agreement provides that Mr. Charney will receive an annual base salary of $1.00.

Each of Messrs. Charney and Lim has agreed in the Acquisition Agreement to refrain from competing with Endeavor or American Apparel or soliciting their respective employees or customers for a period of four years from the closing of the acquisition.

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BENEFICIAL OWNERSHIP OF SECURITIES

Security Ownership of Certain Beneficial Owners and Management

The following tables set forth information regarding the beneficial ownership of Endeavor s common stock as of May 31, 2007 and after consummation of the acquisition by:

each person known by us to be the beneficial owner of more than 5% of Endeavor s outstanding shares of common stock either on May 31, 2007 or after the consummation of the acquisition;

each of Endeavor s current executive officers and directors;

each person who will become director upon consummation of the acquisition;

all Endeavor s current executive officers and directors as a group; and

all of Endeavor s executive officers and directors as a group after the consummation of the acquisition.

Ownership assuming Mr. Charney affects Lim Buyout

The following table assumes that Mr. Charney affects the Lim Buyout and shows beneficial ownership after the consummation of the acquisition if (i) none of the shares of common stock sold in Endeavor s initial public offering are converted and (ii) 19.99% of the shares of common stock sold in Endeavor s initial public offering are converted:

	Beneficial Ownership of Endeavor Common Stock on May 31, 2007		Beneficial Ownership of Endeavor Common Stock after Acquisition Consummation Assuming Maximum Conversions		Beneficial Ownership of Endeavor Common Stock after Acquisition Consummation Assuming no Conversions	
Name and Address of Beneficial Owner (1)	**Number of Shares**	**Percent of Class before Acquisition**	**Number of Shares**	**Percent of Class after Acquisition**	**Number of Shares**	**Percent of Class after Acquisition**
Jonathan J. Ledecky	1,775,000	8.9%	1,775,000	3.6%	1,775,000	3.4%
Eric J. Watson	1,775,000 (2)	8.9%	1,775,000 (2)	3.6%	1,775,000 (2)	3.4%
Jay H. Nussbaum	40,000	*	40,000	*	40,000	*
Kerry Kennedy (3)	40,000	*	40,000	*	40,000	*
Robert B. Hersov (4)	40,000	*	40,000	*	40,000	*

Edward J. Mathias (5)	40,000	*	40,000	*	40,000	*
Richard Y. Roberts (6)	40,000	*	40,000	*	40,000	*
T. Rowe Price Associates, Inc. (7)	1,557,600 (8)	7.8%	1,557,600 (8)	3.2%	1,557,600 (8)	3.0%
JLF Asset Management, L.L.C. (9)	1,027,467 (10)	5.2%	1,027,467 (10)	2.1%	1,027,467 (10)	2.0%
Fir Tree, Inc. (11)	1,964,200 (11)	9.9%	1,964,200 (11)	4.0%	1,964,200 (11)	3.8%
Prentice Capital Management, LP (13)	1,000,000 (14)	5.0%	1,000,000 (14)	2.0%	1,000,000 (14)	1.9%
Steven A. Cohen (15)	1,751,550 (16)	8.7%	1,751,550 (16)	3.6%	1,751,550 (16)	3.4%
Gilder, Gagnon, Howe & Co. LLC (17)	1,082,043 (18)	5.4%	1,082,043 (18)	2.2%	1,082,043 (18)	2.1%
FMR Corp. (19)	2,709,133 (20)	13.6%	2,709,133 (20)	5.5%	2,709,133 (20)	5.2%
Morgan Stanley	2,885,652 (21)	13.6%	2,885,652 (21)	5.5%	2,885,625 (21)	5.2%
Dov Charney	*	*	32,258,665	65.9%	32,258,665	61.8%
Director #2	*	*	*	*	*	*
Director #3	*	*	*	*	*	*
Director #4	*	*	*	*	*	*
Director #5	*	*	*	*	*	*
Director #6	*	*	*	*	*	*

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Name and Address of Beneficial Owner (1)	Beneficial Ownership of Endeavor Common Stock on May 31, 2007		Beneficial Ownership of Endeavor Common Stock after Acquisition Consummation Assuming Maximum Conversions		Beneficial Ownership of Endeavor Common Stock after Acquisition Consummation Assuming no Conversions	
	Number of Shares	Percent of Class before Acquisition	Number of Shares	Percent of Class after Acquisition	Number of Shares	Percent of Class after Acquisition
Director #7	*	*	*	*	*	*
Director #8	*	*	*	*	*	*
Director #9	*	*	*	*	*	*
Chief financial officer	*	*	*	*	*	*
Chief operating officer	*	*	*	*	*	*
Chief information officer	*	*	*	*	*	*
All existing directors and executive officers as a group (seven individuals)	3,750,000	18.8%	3,750,000	7.7%	3,750,000	7.2%
All new directors and executive officers as a group (individuals)	*	*				

* Less than one percent.

Ownership assuming Endeavor affects Lim Buyout

The following table assumes that Endeavor affects the Lim Buyout (with an assumed closing date of July 30, 2007 at a price of $62,958,904) and shows beneficial ownership after the consummation of the acquisition if (i) none of the shares of common stock sold in Endeavor s initial public offering are converted and (ii) 19.99% of the shares of common stock sold in Endeavor s initial public offering are converted:

Name and Address of Beneficial Owner (1)	Beneficial Ownership of Endeavor Common Stock on May 31, 2007		Beneficial ownership of Endeavor common Stock after acquisition Consummation Assuming Maximum Conversions		Beneficial ownership of Endeavor common common stock after acquisition consummation assuming no conversions	
	Number of shares	% of class before	Number of shares	% of class	Number of shares	Percent of Class after Acquisition

		acquisition		after acquisition		
Jonathan J. Ledecky	1,775,000	8.9%	1,775,000	4.3%	1,775,000	4.0%
Eric J. Watson	1,775,000 (2)	8.9%	1,775,000 (2)	4.3%	1,775,000 (2)	4.0%
Jay H. Nussbaum	40,000	*	40,000	*	40,000	*
Kerry Kennedy (3)	40,000	*	40,000	*	40,000	*
Robert B. Hersov (4)	40,000	*	40,000	*	40,000	*
Edward J. Mathias (5)	40,000	*	40,000	*	40,000	*
Richard Y. Roberts (6)	40,000	*	40,000	*	40,000	*
T. Rowe Price Associates, Inc. (7)	1,557,600 (8)	7.8%	1,557,600 (8)	3.8%	1,557,600 (8)	3.5%
JLF Asset Management, L.L.C. (9)	1,027,467 (10)	5.2%	1,027,467 (10)	2.5%	1,027,467 (10)	2.3%
Fir Tree, Inc. (11)	1,964,200 (11)	9.9%	1,964,200 (11)	4.8%	1,964,200 (11)	4.5%
Prentice Capital Management, LP (13)	1,000,000 (14)	5.0%	1,000,000 (14)	2.5%	1,000,000 (14)	2.3%
Steven A. Cohen (15)	1,751,550 (16)	8.7%	1,751,550 (16)	5.4%	1,751,550 (16)	4.0%
Gilder, Gagnon, Howe & Co. LLC (17)	1,082,043 (18)	5.4%	1,082,043 (18)	2.7%	1,082,043 (18)	2.5%
FMR Corp. (19)	2,709,133 (20)	13.6%	2,709,133 (20)	6.6%	2,709,133 (20)	6.2%

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Name and Address of Beneficial Owner (1)	Beneficial Ownership of Endeavor Common Stock on May 31, 2007		Beneficial ownership of Endeavor common Stock after acquisition Consummation Assuming Maximum Conversions		Beneficial ownership of Endeavor common common stock after acquisition consummation assuming no conversions	
	Number of shares	% of class before acquisition	Number of shares	% of class after acquisition	Number of shares	Percent of Class after Acquisition
Morgan Stanley	2,885,652 (21)	13.6%	2,885,652 (21)	13.6%	2,885,652 (21)	6.2%
Dov Charney	*	*	32,258,665	59.1%	32,258,665	54.8%
Director #2	*	*	*	*	*	*
Director #3	*	*	*	*	*	*
Director #4	*	*	*	*	*	*
Director #5	*	*	*	*	*	*
Director #6	*	*	*	*	*	*
Director #7	*	*	*	*	*	*
Director #8	*	*	*	*	*	*
Director #9	*	*	*	*	*	*
Chief financial officer	*	*	*	*	*	*
Chief operating officer	*	*	*	*	*	*
Chief information officer	*	*	*	*	*	*
All existing directors and executive officers as a group (seven individuals)	3,750,000	18.8%	3,750,000	9.2%	3,750,000	8.5%
All new directors and executive officers as a group (12 individuals)	*	*				

* Less than one percent.

(1) Unless otherwise indicated, the business address of each of the individuals is 7 Times Square, 17th Floor, New York, New York 10036.

(2) These shares are held by Tower Trust, a trust established for the benefit of Mr. Watson and his family.

(3) Ms. Kennedy s business address is c/o Robert F. Kennedy Center, 1367 Connecticut Avenue N.W., Suite 200, Washington, D.C. 20036.

(4) Mr. Hersov s business address is NetJets Europe, Ltd., Grundstrasse 12, 6343 Rotkreuz, Switzerland.

(5) Mr. Mathias business address is c/o The Carlyle Group, 1001 Pennsylvania Avenue, NW, Washington, DC 20004.

(6) Mr. Roberts business address is Roberts, Raheb & Gradler, 805 15th Street, NW, Suite 1101, Washington, DC 20005.

(7) The business address of T. Rowe Price Associates is 100 E. Pratt Street, Baltimore, Maryland 21202.

(8) Represents shares of common stock held by T. Rowe Price Associates, Inc. and T. Rowe Price New Horizons Fund, Inc. The foregoing information was derived from a Schedule 13G/A filed with the SEC on February 13, 2007.

(9) The business address of JLF Asset Management, L.L.C. is 2775 via de la Valle, Suite 204, Del Mar, CA 92014.

(10) Jeffrey L. Feinberg is the managing member of JLF Asset Management, L.L.C. The foregoing information was derived from a Schedule 13G filed with the SEC on January 29, 2007.

(11) The business address of Fir Tree, Inc. is 535 Fifth Avenue, 31st Floor, New York, New York 10017.

(12) Represents (i) 1,452,519 shares of common stock held by Sapling, LLC and (ii) 511,681 shares of common stock held by Fir Tree Recovery Master Fund, L.P. Fir Tree, Inc. is the investment manager of both entities. The foregoing information was derived from a Schedule 13G filed with the SEC on March 17, 2006.

(13) The business address of Prentice Capital Management, LP is 623 Fifth Avenue, 32nd Floor, New York, New York 10022.

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(14) Represents shares held by investment funds for which Prentice Capital Management serves as investment manager. The foregoing information was derived from a Schedule 13G filed with the SEC on May 17, 2006.
(15) The business address of Mr. Cohen is 72 Cummings Point Road, Stamford, Connecticut 06902.
(16) Represents shares of common stock held by entities controlled by Mr. Cohen. The foregoing information was derived from a Schedule 13G/A filed with the SEC on February 14, 2007.
(17) The business address of Gilder, Gagnon, Howe & Co. LLC is 1775 Broadway, 26th Floor, New York, New York 10019.
(18) Represents 997,758 shares of common stock held in customer accounts over which partners and/or employees of Gilder, Gagnon, Howe & Co. LLC have discretionary authority to dispose of or direct the disposition of the shares, 55,543 shares of common stock held in accounts owned by the partners of Gilder, Gagnon, Howe & Co. LLC and their families, and 28,742 shares of common stock held in the account of the profit-sharing plan of Gilder, Gagnon, Howe & Co. LLC. The foregoing information was derived from a Schedule 13G filed with the SEC on March 12, 2007.
(19) The business address of FMR Corp. is 82 Devonshire Street, Boston, Massachusetts 02109.
(20) Represents shares of common stock under control of FMR Corp. and Edward C. Johnson 3d., its chairman. The foregoing information was derived from a Schedule 13G filed with the SEC on March 12, 2007.
(21) The business address of Morgan Stanley is 180 Madison Avenue, Suite 2305, New York, New York 10016.

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CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

Endeavor Related Party Transactions

In July 2005, we issued 6,250,000 shares of our common stock to the Endeavor Inside Stockholders, comprised of the individuals set forth below for $25,000 in cash, at a purchase price of $0.004 share, as follows:

Stockholders	Number of Shares
Tower Trust	3,045,000
Jonathan J. Ledecky	3,045,000
Jay H. Nussbaum	40,000
Kerry Kennedy	40,000
Robert B. Hersov	40,000
Edward J. Mathias	40,000

On July 28, 2005, Messrs. Watson and Ledecky advanced an aggregate of $225,000 to us, on a non-interest bearing basis, for payment of offering expenses on our behalf. These amounts were repaid out of proceeds of our initial public offering.

In November 2005, each of Mr. Ledecky and Tower Trust transferred 20,000 shares of common stock to Richard Y. Roberts, a director of ours, for $0.004 per share (for an aggregate purchase price of $160). Additionally, in November 2005, Mr. Ledecky and Tower Trust contributed to us a total of 2,500,000 shares of common stock, effectively increasing the average purchase price to $0.0067 per share, and reducing the number of shares of our common stock held by the Endeavor Inside Stockholders to 3,750,000 shares.

We also entered into a registration rights agreement with the Endeavor Inside Stockholders pursuant to which the holders of the majority of their aggregate shares will be entitled to make up to two demands that we register these shares pursuant to an agreement to be signed prior to or on the date of this prospectus. The holders of the majority of these shares may elect to exercise these registration rights at any time commencing three months prior to the date on which these shares of common stock are released from escrow. In addition, these stockholders have certain piggy-back registration rights on registration statements filed subsequent to the date on which these shares of common stock are released from escrow. We will bear the expenses incurred in connection with the filing of any such registration statements.

Each of the Endeavor Inside Stockholders also entered into a letter agreement with us and Ladenburg Thalmann pursuant to which, among other things:

- each agreed to vote all of the shares originally issued to him in accordance with the majority of the IPO Shares if we solicit approval of our stockholders for a business combination;

- if we fail to consummate a business combination by December 21, 2007, each agreed to take all reasonable actions within his power to cause us to liquidate as soon as reasonably practicable;

- each waived any and all rights he may have to receive any distribution of cash, property or other assets as a result of such liquidation with respect to his Founder Shares;

- each agreed to present to us for our consideration, prior to presentation to any other person or entity, any suitable opportunity to acquire an operating business, until the earlier of our consummation of a business combination, our liquidation or until such time as he ceases to be an officer or director of ours, subject to any pre-existing fiduciary obligations he might have. To that effect, Robert B. Hersov has pre-existing contractual and fiduciary obligations to Shine Media Acquisition Corp. Shine Media Acquisition Corp. is a blank check company formed to acquire a direct or indirect interest in an operating business in the media and advertising industry in the People s Republic of China.

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- Mr. Hersov will honor his pre-existing contractual and fiduciary obligations to Shine Media Acquisition Corp. and present all suitable business opportunities that he may identify to it. Accordingly, he may not present opportunities to us that otherwise may be attractive to Shine Media Acquisition Corp. unless such entity has declined to accept such opportunities;
- each agreed that he and his affiliates will not be entitled to receive and will not accept any compensation for services rendered to us prior to the consummation of our business combination; and
- each agreed that he and his affiliates will not be entitled to receive or accept a finder s fee or any other compensation in the event he or his affiliates originate a business combination.

Pursuant to an escrow agreement between Endeavor, the Endeavor Inside Stockholders and Continental Stock Transfer & Trust Company (Continental), all of the shares listed above were placed in escrow, with Continental acting as escrow agent, pursuant to an escrow agreement, until the earliest of:

- December 21, 2008;
- Endeavor s liquidation;
- such date, following a business combination, that we consummated a liquidation, merger, stock exchange or other similar transaction which results in all of Endeavor s stockholders having the right to exchange their shares of common stock for cash, securities or other property subsequent to Endeavor s consummating a business combination with a target business;
- such date, following a business combination, as the last sales price of our common stock equals or exceeds $15.00 per share for any 20 trading days within any 30-trading day period.

During the escrow period, these shares cannot be sold, but the holders thereof will retain all other rights as stockholders, including, without limitation, the right to vote their shares of common stock and the right to receive cash dividends, if declared. If dividends are declared and payable in shares of common stock, such dividends will also be placed in escrow. If Endeavor is unable to effect a business combination and liquidate, none of Endeavor s Founders will receive any portion of the liquidation proceeds with respect to common stock owned by them prior to Endeavor s initial public offering.

Ironbound Partners, an affiliate of Mr. Ledecky, has agreed that, through the acquisition of a target business, it will make available to us a small amount of office space and certain office and secretarial services, as we may require from time to time. We have paid and will continue to pay Ironbound Partners $7,500 per month for these services.

Other than the $7,500 per-month administrative fee and reimbursable out-of-pocket expenses payable to our officers and directors, no compensation or fees of any kind, including finders and consulting fees, will be paid to any of our Founders or to any of their respective affiliates for services rendered to us prior to or with respect to the business combination.

We will reimburse our officers and directors for any reasonable out-of-pocket business expenses incurred by them in connection with certain activities on our behalf such as identifying and investigating possible target businesses and business combinations.

From consummation of our IPO through the record date, Endeavor has borrowed an aggregate of $ from Messrs. Watson and Ledecky. These loans are unsecured, non-interest bearing and will be repaid on the earlier of the consummation by Endeavor of a business combination or upon demand by Messrs. Ledecky and Watson; provided, however, that if a business combination is not consummated, Endeavor will be required to repay the loans only to the extent if has sufficient funds available to it outside of the trust account.

All ongoing and future transactions between Endeavor and any of its officers and directors or their respective affiliates, will be on terms believed by Endeavor to be no less favorable than are available from unaffiliated third parties and will require prior approval in each instance by a majority of the members of Endeavor s board who do not have an interest in the transaction.

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American Apparel Related Party Transactions

Financing Agreement with U.S. Bank National Association

Each of LLC, Mr. Charney and Mr. Lim are guarantors of AAI s obligations under that certain Financing Agreement among U.S. Bank National Association, a national banking association as Agent (US Bank), the lenders party thereto and certain affiliates of AAI dated as of October 31, 2005, as amended from time to time. Pursuant to such guarantees, each of LLC and Messrs. Charney and Lim have guaranteed all of AAI s obligations under the US Bank Financing Agreement.

Lim Buyout Agreement

Each of AAI and Messrs. Charney and Lim are parties to an agreement, dated as of November 9, 2006, pursuant to which Mr. Charney shall purchase all of the outstanding capital stock and membership interests of the American Apparel companies held by Mr. Lim in the Lim Buyout for $60 million in cash, plus an additional cash price equal to (1) $60 million divided by 365, (2) multiplied by 0.20, (3) multiplied by the number of days after May 1, 2007 the Lim Buyout is consummated. The purchase price for the Lim Buyout shall be referred to as the Lim Payment Amount. In the event that the Lim Buyout is not consummated by Mr. Charney prior to closing of the acquisition for any reason, Endeavor shall affect the Lim Buyout as part of and conditioned upon the consummation of the acquisition by reducing the number of shares of Endeavor common stock Mr. Charney is to receive by the number equal to the Lim Payment Amount divided by $7.75 and paying to Mr. Lim the Lim Payment Amount in cash for the surrender of his capital stock of the American Apparel companies and such cash payment shall be deemed part of the consideration paid by Endeavor for the acquisition. In connection with the exercise of the option, AAI and Mr. Charney are required to obtain a release from US Bank pursuant to which Mr. Lim will be released from his personal guarantee under the US Bank Financing Agreement.

Unsecured Indebtedness

American Apparel is currently indebted to its stockholders, certain key employees, and/or relatives of its stockholders in an aggregate principal amount of approximately $4.2 million. All of the unsecured indebtedness is due on demand by the holder of the underlying notes. Upon consummation of the acquisition, these amounts will be immediately paid. The specifics of each of the notes issued to the related parties are as follows:

Name of Noteholder	Principal Amount of Note Outstanding as of the date hereof		Annual Interest Rate
Moshe Safdie & Associates (architecture firm principally owned by Mr. Charney s uncle)	$	1,500,000	18%, paid monthly
Sylvia Safdie (Mr. Charney s mother)	$	243,044	18%, compounded monthly
	$	456,566	12%, compounded monthly
Maya Charney (Mr. Charney s sister)	$	50,068	12%, compounded monthly
Gabriel Safdie (Mr. Charney s uncle)	$	100,000	18%, paid monthly
Lillian Safdie (Mr. Charney s grandmother)	$	10,995	12%, compounded monthly
Israel Charney (Mr. Charney s uncle)	$	30,000	12%, paid monthly
Martin Bailey (officer of AAI)	$	100,000	18%
Adrian Kowalewski (employee of AAI)	$	35,000	18%
Rod Kazazi (employee of AAI)	$	100,000	18%
Sam Lim	$	180,000	12%, paid monthly (subordinated)
Morris Charney (Mr. Charney s father)	$	180,000	18%, paid monthly (subordinated)
	$	1,099,990	18%
Dov Charney	$	188,486	18%
Morris Charney (Mr. Charney s father)	$	448,832	18%
Dov Charney	$	4,384,299	14%
Morris Charney (Mr. Charney s father)	$	259,538	18%
Morris Safdie & Associates (architecture firm principally owned by Mr. Charney s uncle)	$	997,405	12%

Property Leases

Mr. Charney and/or AAI have guaranteed the obligations of American Apparel under various property leases, including:

- New York store at 712 Broadway, New York, NY for up to approximately $820,000 million in aggregate obligations;
- New York store at 183 E. Houston St. New York, NY 10002 for up to approximately $430,000 in aggregate obligations;
- New York store at 1090 Third Ave., New York, NY for up to approximately $190,000 in aggregate obligations;
- Chicago store at 1563 N. Milwaukee Ave., Chicago, IL for up to approximately $213,000 in aggregate obligations;
- Los Angeles store at 6922 Hollywood Blvd., Los Angeles, CA for up to approximately $2.2 million in aggregate obligations; and
- Montreal store at 3521, 3523 and 3525 St. Laurent Blvd., Montreal Quebec HTX2T6 for up to approximately C$514,000 in aggregate obligations.

In December 2005, American Apparel entered into an operating lease, which commenced on November 15, 2006, for its knitting facility with American Central Plaza, LLC. Mr. Charney and Mr. Lim s spouse each hold a 25% membership interest in American Central Plaza. The remaining members of American Central Plaza are not affiliated with American Apparel. The monthly lease payments are $48 and the lease expires in November 2011, with a five year extension, at the option of American Apparel. A number of the property leases entered into by American Apparel require the consent of the lessor in the event of a change of control.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities and Exchange Act of 1934, as amended, requires Endeavor directors, officers and persons owning more than 10% of Endeavor s common stock to file reports of ownership and changes of ownership with the SEC. Based on its review of the copies of such reports furnished to Endeavor, or representations from certain reporting persons that no other reports were required, Endeavor believes that all applicable filing requirements were complied with during the fiscal years ended December 31, 2005 and 2006 and as required through March 31, 2007.

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DESCRIPTION OF ENDEAVOR COMMON STOCK AND OTHER SECURITIES

General

The certificate of incorporation of Endeavor authorizes the issuance of 75,000,000 shares of common stock, par value $.0001, and 1,000,000 shares of preferred stock, par value $.0001. As of the record date, of common stock were outstanding and no shares of preferred stock were outstanding.

Common Stock

The holders of common stock are entitled to one vote for each share held of record on all matters to be voted on by stockholders. In connection with the vote required for any business combination, all of the existing stockholders, including all officers and directors of Endeavor, have agreed to vote their respective shares of common stock owned by them immediately prior to the IPO in accordance with the vote of the public stockholders owning a majority of the shares of Endeavor s outstanding common stock. This voting arrangement does not apply to shares included in units purchased in the IPO or purchased following the IPO in the open market by any of Endeavor s stockholders, officers and directors. Endeavor s stockholders, officers and directors may vote their shares in any manner they determine, in their sole discretion, with respect to any other items that come before a vote of Endeavor s stockholders.

Endeavor will proceed with the acquisition only if the stockholders who own at least a majority of the shares of common stock sold in the IPO vote in favor of the acquisition and stockholders owning less than 20% of the shares sold in the IPO exercise conversion rights discussed below.

Endeavor s board of directors is divided into three classes, each of which will generally serve for a term of three years with only one class of directors being elected in each year. There is no cumulative voting with respect to the election of directors, with the result that the holders of more than 50% of the shares voted for the election of directors can elect all of the directors.

If Endeavor is required to liquidate, the holders of Endeavor common stock purchased in the IPO will be entitled to share ratably in the trust account, inclusive of any interest, and any net assets remaining available for distribution to them after payment of liabilities. Holders of common stock issued prior to Endeavor s IPO have agreed to waive their rights to share in any distribution with respect to common stock owned by them prior to the IPO if Endeavor is forced to liquidate.

Holders of Endeavor common stock do not have any conversion, preemptive or other subscription rights and there are no sinking fund or redemption provisions applicable to the common stock, except that the holders of Endeavor common stock acquired in the IPO have the right to have their shares of common stock converted to cash equal to their pro rata share of the trust account if they vote against the acquisition, properly demand conversion and the acquisition is approved and completed. Holders of common stock who convert their stock into their share of the trust account still have the right to exercise the warrants that they received as part of the units.

Preferred Stock

The certificate of incorporation of Endeavor authorizes the issuance of 1,000,000 shares of a blank check preferred stock with such designations, rights and preferences as may be determined from time to time by Endeavor s board of directors. Accordingly, Endeavor s board of directors is empowered, without stockholder approval, to issue preferred stock with dividend, liquidation, conversion, voting or other rights which could adversely affect the voting power or other rights of the holders of common stock, although Endeavor has entered into an underwriting agreement which prohibits Endeavor, prior to a business combination, from issuing preferred stock which participates in any manner in the proceeds of the trust account, or which votes as a class with the common stock on a business combination. Endeavor may issue some or all of the preferred stock to effect a business combination. In addition, the preferred stock could be utilized as a method of discouraging, delaying or preventing a change in control of Endeavor. There are no shares of preferred stock outstanding and Endeavor does not currently intend to issue any preferred stock.

Warrants

Endeavor currently has outstanding 16,160,745 redeemable common stock purchase warrants. Each warrant entitles the registered holder to purchase one share of Endeavor s common stock at a price of $6.00 per share, subject to adjustment as discussed below, at any time commencing on the completion of the acquisition. The warrants expire on December 14, 2009 at 5:00 p.m., New York City time. Endeavor may call the warrants for redemption;

- in whole and not in part;
- at a price of $.01 per warrant at any time after the warrants become exercisable;
- upon not less than 30 days prior written notice of redemption to each warrant holder; and
- if, and only if, the reported last sale price of the common stock equals or exceeds $11.50 per share, for any 20 trading days within a 30 trading day period ending on the third business day prior to the notice of redemption to warrant holders.

Under the terms of the Acquisition Agreement, Endeavor has agreed that in connection with any redemption of the warrants, Endeavor would afford all of the holders thereof the right and opportunity to exercise their warrants on a cashless basis utilizing the value of such warrants based on the difference between the then current market price per share of Endeavor common stock and the pre-share exercise price of the warrants.

The exercise price and number of shares of common stock issuable on exercise of the warrants may be adjusted in certain circumstances including in the event of a stock dividend, or Endeavor s recapitalization, reorganization, merger or consolidation. However, the warrants will not be adjusted for issuances of common stock at a price below the exercise price.

The warrants may be exercised upon surrender of the warrant certificate on or prior to the expiration date at the offices of the warrant agent, with the exercise form on the reverse side of the warrant certificate completed and executed as indicated, accompanied by full payment of the exercise price, by certified check payable to Endeavor, for the number of warrants being exercised. The warrant holders do not have the rights or privileges of holders of common stock and any voting rights until they exercise their warrants and receive shares of common stock. After the issuance of shares of common stock upon exercise of the warrants, each holder will be entitled to one vote for each share held of record on all matters to be voted on by stockholders.

No warrants will be exercisable unless at the time of exercise a prospectus relating to common stock issuable upon exercise of the warrants is current and the common stock has been registered or qualified or deemed to be exempt under the securities laws of the state of residence of the holder of the warrants. Under the terms of a warrant agreement, Endeavor has agreed to maintain a current prospectus relating to common stock issuable upon exercise of the warrants until the expiration of the warrants. However, there is no assurance that Endeavor will be able to do so. The warrants may be deprived of any value and the market for the warrants may be limited if the prospectus relating to the common stock issuable upon the exercise of the warrants is not current or if the common stock is not qualified or exempt from qualification in the jurisdictions in which the holders of the warrants reside. If Endeavor is unable to deliver securities pursuant to the exercise of a warrant because a registration statement under the Securities Act of 1933, as amended, with respect to the Endeavor common stock is not effective, then in no event would Endeavor be obligated to pay cash or other consideration to the holders of warrants or otherwise net-cash settle any warrant exercise.

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PRICE RANGE OF ENDEAVOR SECURITIES

Endeavor s units, common stock and warrants are traded on American Stock Exchange under the symbols EDA-U, EDA and EDA-WT, respectively. Each unit is comprised of one share of common stock and one warrant. The units commenced public trading on December 16, 2005, and the common stock and warrants commenced public trading on March 6, 2006. The following table sets forth the range of high and low closing bid prices for the units, common stock and warrants for the periods indicated.

	Units		Common Stock		Warrants	
	High	Low	High	Low	High	Low
2007:						
Second Quarter (through June 5, 2007)			12.49	9.92		
First Quarter			12.06	9.18		
2006:						
First Quarter	9.00	8.16	7.58	7.15	1.49	1.01
Second Quarter	9.00	7.92	7.55	7.25	1.55	0.96
Third Quarter	8.60	8.15	7.49	7.10	1.25	1.06
Fourth Quarter	12.00	8.10	9.31	7.28	3.05	1.02
2005:						
Fourth Quarter (commencing December 16, 2005)	8.10	7.98				

Holders of Endeavor common stock, warrants and units should obtain current market quotations for their securities. The market price of Endeavor common stock, warrants and units could vary at any time before the acquisition.

In connection with the acquisition, Endeavor and American Apparel will use their reasonable best efforts to maintain listing for trading on the American Stock Exchange of Endeavor s common stock, warrants and units. Endeavor believes it will meet the American Stock Exchange listing requirements upon consummation of the acquisition.

Holders

As of , 2007, there were holders of record of Endeavor units, holders of record of Endeavor common stock and holders of record of Endeavor warrants. Endeavor believes that the beneficial holders of the units, common stock and warrants to be in excess of 400 persons each.

APPRAISAL RIGHTS

Endeavor stockholders do not have appraisal rights in connection the acquisition or the issuance of Endeavor common stock pursuant to the acquisition under the DGCL.

STOCKHOLDER PROPOSALS

The Endeavor 2008 annual meeting of stockholders will be held on or about , 2008 unless the date is changed by the board of directors. If you are a stockholder and you want to include a proposal in the proxy statement for the year 2008 annual meeting, you need to provide it to us by no later than , 2008. You should direct any proposals to our secretary at Endeavor s principal office which will be in . If you want to present a matter of business to be considered at the year 2008 annual meeting, under Endeavor s by-laws you must give timely notice of the matter, in writing, to our secretary. To be timely, the notice has to be given between and . If Endeavor s is liquidated as a result of not consummating a business combination transaction before December 21, 2007, there will be no annual meeting in 2008.

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INDEPENDENT AUDITORS

The consolidated financial statements of AAI and its subsidiaries at December 31, 2006 and for the year then ended included in this proxy statement, have been audited by Marcum & Kliegman LLP, an independent registered public accounting firm, as set forth in their report appearing elsewhere herein, and are included in reliance upon such report given on the authority of such firm as experts in accounting and auditing.

The combined financial statements of the CI companies at December 31, 2006 and for the year then ended included in this proxy statement, have been audited by Schlesinger Newman Goldman, S.E.N.C.R.L./LLP, an independent registered public accounting firm, as set forth in their report appearing elsewhere herein, and are included in reliance upon such report given on the authority of such firm as experts in accounting and auditing.

The financial statements of Endeavor at December 31, 2006, and 2005, the year ended December 31 2006 and the period from July 22, 2005 (inception) to December 31, 2005 included in this proxy statement have been audited by Marcum & Kliegman LLP, an independent registered public accounting firm, as set forth in their report appearing elsewhere herein, and are included in reliance upon such report given on the authority of such firm as experts in accounting and auditing.

Representatives of Marcum & Kliegman LLP will be present at the stockholder meeting or will be available by telephone with the opportunity to make statements and to respond to appropriate questions.

WHERE YOU CAN FIND MORE INFORMATION

Endeavor files reports, proxy statements and other information with the SEC as required by the Securities Exchange Act of 1934, as amended. You may read and copy reports, proxy statements and other information filed by Endeavor with the SEC at the SEC public reference room located at 100 F Street, N.E., Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. You may also obtain copies of the materials described above at prescribed rates by writing to the SEC, Public Reference Section, 100 F Street, N.E., Washington, D.C. 20549. You may access information on Endeavor at the SEC web site containing reports, proxy statements and other information at: http://www.sec.gov.

Information and statements contained in this proxy statement or any annex to this proxy statement are qualified in all respects by reference to the copy of the relevant contract or other annex filed as an exhibit to this proxy statement.

All information contained in this document relating to Endeavor has been supplied by Endeavor, and all such information relating to American Apparel has been supplied by American Apparel. Information provided by one another does not constitute any representation, estimate or projection of the other.

If you would like additional copies of this document or if you have questions about the acquisition, you should contact via phone or in writing:

Mr. Martin Dolfi

Endeavor Acquisition Corp.

7 Times Square, 17th Floor

New York, New York 10036

212-683-5350 telephone

212-486-9094 telecopy

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American Apparel, Inc. and Subsidiaries

Consolidated Balance Sheets

As of March 31,

(Unaudited)

(Dollars and Shares In Thousands)

	2007	2006
ASSETS		
CURRENT ASSETS		
Cash	$ 5,105	$ 909
Receivables		
Trade, net of allowances of $2,053 and $1,127	15,620	16,826
Due from Canadian Affiliate		1,761
Other	640	808
Prepaid expenses and other current assets	2,488	911
Income tax receivable		45
Inventories, net	85,911	71,083
Deferred tax asset	336	
Total current assets	110,100	92,343
PROPERTY AND EQUIPMENT, net	43,124	36,810
INTANGIBLE ASSETS, net	1,388	359
GOODWILL	950	950
OTHER ASSETS	7,270	4,420
Total assets	$ 162,832	$ 134,882
LIABILITIES AND STOCKHOLDERS EQUITY		
CURRENT LIABILITIES		
Cash overdraft	$ 2,479	$ 1,824
Current portion of bank debt	93,765	52,503
Notes payable to unrelated parties	6,454	3,146
Notes payable to related parties	2,540	903
Subordinated notes payable to unrelated party		13,577
Subordinated notes payable to related parties	360	360
Accounts payable	18,218	25,545
Accrued expenses	10,453	5,945
Due to Canadian Affiliate	731	
Income taxes payable	1,330	
Current portion of capital lease obligations	3,151	2,764
Total current liabilities	$ 139,481	$ 106,567
LONG-TERM BANK DEBT, net of current portion	260	4,853
CAPITAL LEASE OBLIGATIONS, net of current portion	2,993	3,932
DEFERRED RENT	7,008	5,343
TOTAL LIABILITIES	149,742	120,695

COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS EQUITY		
Common stock, no par value,		
1,000 shares authorized,		
100 shares issued and outstanding		
Additional paid-in capital	5,706	5,706
Due from stockholders	(642)	(276)
Accumulated other comprehensive income	359	742
Retained earnings	7,667	8,015
TOTAL STOCKHOLDERS EQUITY	13,090	14,187
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	$ 162,832	$ 134,882

The accompanying notes are an integral part of these consolidated financial statements.

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American Apparel, Inc. and Subsidiaries

Consolidated Statements of Operations

For the Three Months Ended March 31,

(Unaudited)

(Dollars In Thousands)

	2007	2006
NET SALES (including sales to the Canadian affiliate of $2,661 and $2,506, respectively)	$ 69,033	$ 55,944
COST OF SALES (including cost of sales to the Canadian affiliate of $2,485 and $2,432, respectively)	30,836	29,042
Gross profit	38,197	26,902
OPERATING EXPENSES		
Selling	13,635	10,499
Warehouse and distribution	1,503	1,505
General and administrative (including related party rent expense of $95 and $0, respectively)	17,190	12,667
	32,328	24,671
INCOME FROM OPERATIONS	5,869	2,231
INTEREST AND OTHER (INCOME) EXPENSE		
Interest expense (including related party interest expense of $179 and $40, respectively)	3,674	2,408
Foreign currency loss (gain)	46	(43)
Other (income) expense	(157)	214
TOTAL INTEREST AND OTHER (INCOME) EXPENSE	3,563	2,579
INCOME (LOSS) BEFORE INCOME TAXES	2,306	(348)
INCOME TAX PROVISION (BENEFIT)	597	(35)
NET INCOME (LOSS)	$ 1,709	$ (313)

The accompanying notes are an integral part of these consolidated financial statements.

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American Apparel, Inc. and Subsidiaries

Consolidated Statement of Stockholders Equity

For the Three Months Ended March 31, 2007

(Unaudited)

(Dollars and Shares In Thousands)

	Outstanding Shares	Amount	Additional Paid-in Capital	Due from Stockholders	Accumulated other Comprehensive Income	Retained Earnings	Stockholders Equity	Comprehensive (Loss) Income
BALANCE, January 1, 2007	100	$	$ 5,706	$ (553)	$ 322	$ 6,227	$ 11,702	(1,153)
Advances to stockholders				(89)			(89)	
Distributions to stockholders						(269)	(269)	
Components of comprehensive (loss) income:								
Net income						1,709	1,709	1,709
Foreign currency translation					37		37	37
BALANCE, March 31, 2007	100	$	$ 5,706	$ (642)	$ 359	$ 7,667	$ 13,090	$ 593

The accompanying notes are an integral part of these consolidated financial statements.

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American Apparel, Inc. and Subsidiaries

Consolidated Statements of Cash Flows

For the Three Months Ended March 31,

(Unaudited)

(Dollars In Thousands)

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers (including cash received from sales to Canadian affiliate of $3,739 and $3,726, respectively)	$ 66,267	$ 49,362
Cash paid to suppliers, employees and others	(83,331)	(50,843)
Taxes paid	(173)	(273)
Interest paid	(3,666)	(2,409)
Other	68	(615)
Net cash used in operating activities	(20,835)	(4,505)
CASH FLOWS USED IN INVESTING ACTIVITIES		
Purchases of property and equipment	(1,948)	(4,784)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash overdraft from financial institution	(483)	(1,859)
Borrowings under revolving credit facility, net	2,804	3,148
Advances to stockholders	(89)	(118)
Distribution to stockholders	(269)	(219)
Advances from Canadian affiliate, net	1,969	626
Borrowings of notes payable to related party	150	28
Borrowings under notes payable to unrelated parties	721	192
Repayment of notes payable to unrelated parties	(489)	(108)
(repayments of) Borrowing under subordinated note payable to unrelated party, net	(14,157)	202
Borrowings under term loans and notes payable	41,070	10,233
Repayment of term loans and notes payable	(5,803)	(4,379)
Repayment of capital lease obligations	(796)	(787)
Net cash provided by financing activities	24,628	6,959
EFFECT OF EXCHANGE RATE ON CASH	46	36
NET CHANGE IN CASH	1,891	(2,294)
CASH, beginning of period	3,214	3,206
CASH, end of period	$ 5,105	$ 909
RECONCILIATION OF NET INCOME (LOSS) TO NET CASH USED IN OPERATING ACTIVITIES		
Net income (loss)	$ 1,709	$ (313)
Depreciation and amortization	2,526	2,213
Foreign Currency transaction (gain) loss	(46)	43

Deferred rent		352		469
Bad debt expense				177
Increase (decrease) in cash due to changes in operating assets and liabilities				
Trade receivable		(2,549)		(6,417)
Inventories		(9,426)		(3,492)
Prepaid expenses and other current assets		(714)		575
Other assets		(1,163)		(1,032)
Accounts payable		(12,184)		7,870
Accrued expenses		591		(4,074)
Income taxes payable		23		(481)
Net cash used-in operating activities	$	(20,835)	$	(4,505)
NON-CASH INVESTING AND FINANCING ACTIVITIES				
Property and equipment acquired under a capital lease	$	952	$	508

The accompanying notes are an integral part of these consolidated financial statements.

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American Apparel, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

as at March 31, 2007

(Unaudited)

(Dollars In Thousands)

NOTE 1 Organization and Business

American Apparel, Inc. (AA), a California corporation is a manufacturer and distributor of blank t-shirts and other comfort apparel for men, women and children. AA sells its products through a wholesale distribution channel, an e-commerce web site, as well as direct to end users through its 93 retail stores located in the United States and 31 stores internationally. AA, collectively with its subsidiaries is referred to as the Company .

The Company maintains its corporate offices, primary manufacturing and distribution facility, knitting and dye house in Los Angeles, California. The Company also maintains a portion of its yarn at outside knitting facilities and a portion of its greige goods at outside dye houses.

The wholly-owned operating subsidiaries of the Company are:

Sales

United States: American Apparel Retail, Inc. (AAR) operates retail stores. American Apparel Retail 1090 Third NYC, Inc., a wholly-owned subsidiary of AAR, operates a retail store in New York.

Mexico: American Apparel Mexico, S DE RL DE CU (AAM) operates retail stores. American Apparel Mexico Labor, LLC operates a payroll company used to provide services exclusively for AAM.

Continental Europe: American Apparel Deutschland GmbH operates retail stores and distributes American Apparel products.

United Kingdom: American Apparel (Carnaby) Limited operates retail stores. American Apparel (UK) Limited distributes American Apparel products.

Israel: American Apparel Retail (Israel), Ltd. operates a retail store.

Japan: American Apparel Japan operates retail stores and distributes American Apparel products.

Korea: American Apparel Korea Co., Ltd. operates retail stores, distributes, and franchises American Apparel products.

Manufacturing

KCL Knitting, LLC is engaged in textile manufacturing. The operating agreement under which KCL conducts its business provides that the term of their existence should continue until December 31, 2050.

American Apparel Dyeing and Finishing, Inc. operates a fabric dyeing and finishing plant.

NOTE 2 Going Concern and Management s Plan

The accompanying consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The consolidated financial statements do not include any adjustments relating to the recoverability and classification of asset amounts or the classifications of liabilities that might be necessary should the Company be unable to continue as a going concern. As of March 31, 2007 and 2006, the Company has a working capital deficiency of $29,381 and $14,224, respectively. As of March 31, 2007, the Company failed to meet certain debt covenants

American Apparel, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

as at March 31, 2007

(Unaudited)

(Dollars In Thousands)

relating to its financing agreements with its bank and a private investment firm (Note 10). As a result of these covenant violations, the Company is in default of provisions stipulated in its financing agreements. Therefore, these financial institutions have the right to require payment in full of all outstanding debt (approximately $92,373 at March 31, 2007). Accordingly, certain outstanding debt has been reclassified from long term liabilities to current liabilities. These matters raise substantial doubt about the Company s ability to continue as a going concern.

Management is actively pursuing additional debt/equity financing and is in the process of negotiating its loan covenants under its existing credit facilities. On December 19, 2006 the Company entered into a definitive merger agreement with Endeavor Acquisition Corp. (see Note 23), a blank check company listed on the American Stock Exchange.

Management believes that it will be successful in obtaining additional funding and in negotiating the loan covenants with its existing lenders. However, no assurance can be provided that the Company will obtain the additional funding or negotiate required modifications to its loan covenants. To the extent the Company is unsuccessful; it may find it necessary to curtail or cease its operations.

NOTE 3 Summary of Significant Accounting Policies

Principles of Consolidation and Basis of Presentation

The consolidated financial statements include the accounts of American Apparel, Inc. and all of its direct or indirect wholly-owned subsidiaries as outlined in Note 1: American Apparel Retail, Inc., KCL Knitting, LLC, American Apparel Dyeing and Finishing, Inc., American Apparel Deutschland GmbH, American Apparel (UK) Limited, American Apparel (Carnaby) Limited, American Apparel Retail 1090, Third NYC, Inc., American Apparel Mexico S DE RL DE CU, American Apparel Mexico Labor, LLC, American Apparel Japan, American Apparel Korea, Co., Ltd., and American Apparel Retail (Israel), Ltd. All intercompany accounts and transactions have been eliminated upon consolidation.

The financial information in this Report reflects, in the opinion of management, all adjustments of a normal recurring nature necessary to present fairly the results for the interim period. Quarterly operating results are not necessarily indicative of the results that may be expected for other interim periods or the year ending December 31, 2007.

Use of Estimates

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, liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Management bases its estimates on historical experience and on various assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. The most significant estimates include; sales returns and other allowances, allowance for doubtful accounts, inventory valuation and obsolescence, valuation and recoverability of long-lived intangible assets including the values assigned to acquired assets, goodwill, property and equipment, income taxes; and accruals for the outcome of current litigation.

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American Apparel, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

as at March 31, 2007

(Unaudited)

(Dollars In Thousands)

On a continual basis, management reviews its estimates utilizing currently available information, changes in facts and circumstances, historical experience and reasonable assumptions. After such reviews, and if deemed appropriate, those estimates are adjusted accordingly. Actual results could differ from those estimates.

Revenue Recognition

The Company recognizes product sales revenue when title and risk of loss have transferred to the customer, there is persuasive evidence of an arrangement, shipment and passage of title has occurred, the sales price is fixed or determinable and collectibility is reasonably assured. Revenue from product sales are recorded at the time the product is shipped to the customer. With respect to its own retail store operations, the Company recognizes revenue upon the sale of its products to retail customers. The Company s net sales represent gross sales invoiced to customers, less certain related charges for discounts, returns, and other promotional allowances. Allowances provided for these items are presented in the consolidated financial statements primarily as reductions to sales and cost of sales (see Sales Returns and Other Allowances discussed below for further information).

The Company recognizes the sales from gift cards, gift certificates and store credits as they are redeemed for merchandise. Prior to redemption, the Company maintains an unearned revenue liability for gift cards, gift certificates and store credits until the Company is released from such liability. The Company s gift cards, gift certificates and store credits do not have expiration dates. The unearned revenue for gift cards, gift certificates and store credits are recorded in accrued expenses in the amount of $536 and $255 at March 31, 2007 and 2006, respectively.

Sales Returns and Other Allowances

Allowances For Sales Returns The Company analyzes sales returns in accordance with Statement of Financial Accounting Standard (SFAS) No. 48 Revenue Recognition When Right of Return Exists (SFAS 48). The Company is able to make reasonable and reliable estimates of product returns for both its wholesale and retail segments based on the Company s past history. The Company also monitors the buying patterns of the end-users of its products based on sales data received by its retail outlets. Estimates for sales returns are based on a variety of factors including actual returns based on expected return data communicated to it by customers. Accordingly, the Company believes that its historical returns analysis is an accurate basis for its allowance for sales returns. Actual results could differ from those estimates.

As with any set of assumptions and estimates, there is a range of reasonably likely amounts that may be calculated for each allowance above. However, the Company believes that there would be no significant difference in the amounts reported using other reasonable assumptions than what was used to arrive at each allowance. The Company regularly reviews the factors that influence its estimates and, if necessary, makes adjustments when it believes that actual product returns, credits and other allowances may differ from established reserves. Actual experience associated with any of these items may be significantly different than the Company s estimates.

Concentrations of Credit Risk

Financial instruments which potentially subject the Company to credit risk consist primarily of cash (the amounts of which may, at times, exceed Federal Deposit Insurance Corporation limits on insurable amounts) and trade accounts receivable, relating substantially to the Company s wholesale segment. The Company mitigates its risk by investing in or through major financial institutions. The Company has approximately $3,910 and $1,722 held in foreign banks at March 31, 2007 and 2006, respectively.

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American Apparel, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

as at March 31, 2007

(Unaudited)

(Dollars In Thousands)

The Company performs on-going credit evaluations of its customers and adjusts credit limits based upon payment history and the customer s current credit worthiness, as determined by the review of their current credit information. Collections and payments from customers are continuously monitored. The Company maintains an allowance for doubtful accounts, which is based upon historical experience as well as specific customer collection issues that have been identified. While such bad debt expenses have historically been within expectations and allowances established, the Company cannot guarantee that it will continue to experience the same credit loss rates that it has in the past. If the financial condition of customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

Inventories

Inventories are stated at the lower of cost or market. Cost is primarily determined on the first-in, first-out (FIFO) method. The cost elements of inventories include materials, labor and overhead. For the three months ending March 31, 2007 and 2006 no one supplier provided more than 10% of the Company s raw material purchases.

The Company identifies potentially excess and slow-moving inventories by evaluating turn rates, inventory levels and other factors. Excess quantities are identified through evaluation of inventory agings, review of inventory turns and historical sales experiences. The Company provides lower of cost or market reserves for such identified excess and slow-moving inventories. At March 31, 2007 and 2006 the Company had a reserve for slow-moving inventories of $4,284 and $800, respectively.

Property and Equipment

Property and equipment are carried at cost. Depreciation is provided on a straight-line basis over the estimated useful lives of the related assets. The costs of normal maintenance and repairs are charged to expense in the year incurred. Expenditures which significantly improve or extend the life of an asset are capitalized and depreciated over the asset s remaining useful life. Amortization of leasehold improvements is computed using the straight-line method over the shorter of the estimated useful lives of the related assets or the lease term. Upon sale or disposition, the related cost and accumulated depreciation are removed from the accounts and the resulting gain or loss, if any, is reflected in operations.

Goodwill and Other Intangible Assets

Goodwill represents the excess of purchase price over the fair value of identifiable net assets of companies acquired. Goodwill and other intangible assets acquired in a business combination and determined to have an indefinite useful life are not amortized, but instead tested for impairment at least annually in accordance with the provisions of SFAS No. 142, Goodwill and Other Intangible Assets (SFAS 142). The SFAS 142 goodwill impairment model is a two-step process. The first step compares the fair value of a reporting unit that has goodwill assigned to its carrying value. The Company estimates the fair value of a reporting unit by using a discounted cash flow model. If the fair value of the reporting unit is determined to be less than its carrying value, a second step is performed to compute the amount of goodwill impairment, if any. Step two allocates the fair value of the reporting unit to the reporting unit s net assets other than goodwill. The excess of the fair value of the reporting unit over the amounts assigned to its net assets other than goodwill is considered the implied fair value of the reporting unit s goodwill. The implied fair value of the reporting unit s goodwill is then compared to the carrying value of its goodwill. Any shortfall represents the amount of goodwill impairment.

Other definite lived intangibles are amortized on a straight-line basis over periods not exceeding 10 years.

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American Apparel, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

as at March 31, 2007

(Unaudited)

(Dollars In Thousands)

Impairment of Long-Lived Assets

The Company follows the provisions of SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets (SFAS 144). SFAS 144 requires evaluation of the need for an impairment charge relating to long-lived assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The estimated future undiscounted cash flows associated with the asset would be compared to the asset s carrying amount to determine if a write down to a new depreciable basis is required. If required, an impairment charge is recorded based on an estimate of future discounted cash flows.

Foreign Currency

The financial statements of international subsidiaries are translated into U.S. Dollars using the exchange rate at each balance sheet date for assets and liabilities and an average exchange rate for each period for revenues, expenses, gains and losses. Foreign currency transaction gains and losses are charged or credited to operations as incurred. Where the local currency is the functional currency (which is determined based on management s judgment and involves consideration of all relevant economic facts and circumstances affecting the subsidiary) translation adjustments are recorded as a separate component of stockholders equity. For the three months ended March 31, 2007 and 2006 the Company recognized foreign currency transaction gains (losses) of $46 and ($43), respectively.

Income Taxes

The stockholders of American Apparel, Inc. and its U.S. subsidiaries, American Apparel Retail, Inc., American Apparel Retail 1090 Third NYC, Inc., and American Apparel Dyeing and Finishing, Inc. elected subchapter S corporation status. Earnings and losses for Federal tax reporting purposes are included in the personal tax returns of the stockholders. Accordingly, the Company does not incur additional Federal income tax obligations, and the consolidated financial statements do not include a provision for Federal income taxes. American Apparel, Inc. expects to pay the necessary distributions to satisfy the stockholders estimated personal income tax liabilities based upon the Company s taxable income. As defined in the definitive merger agreement with Endeavor Acquisition Corp. (Endeavor) (Note 23), upon consummation of the merger, the stockholders will receive distributions to satisfy the stockholders estimated tax liabilities, as defined per the agreement. This distribution will be for the Company s taxable income for the period commencing January 1, 2006 through the effective date of the merger agreement. The distribution amount will be less all previous distributions made by the Company. State income taxes are provided at applicable statutory rates multiplied by pre-tax income. The Company files income tax returns in various states. Some of these states accept subchapter S corporation status, while in some states, the Company is taxed at C Corporation tax rates and in the remaining states, the Company is taxed at reduced rates applicable to S corporations.

American Apparel Deutschland GmbH, American Apparel (UK) Limited, American Apparel (Carnaby) Limited, American Apparel Mexico S DE RL DE CU, American Apparel Mexico Labor, LLC, American Apparel Japan, American Apparel Korea Co., Ltd. and American Apparel Retail (Israel), Ltd. are foreign domiciled entities subject to foreign income taxes on earnings in their respective jurisdictions.

KCL Knitting, LLC (KCL) is a limited liability company, classified as a pass-through entity for federal income tax purposes, which provides for profits and losses to be reported by American Apparel, Inc.

American Apparel, Inc. has unrecognized built-in gains of approximately $26 million resulting from its S corporation election. If any of the assets creating the unrecognized built-in gains are sold in the ten-year period

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Income Taxes continued

ending July 1, 2014, AA is liable for Federal income taxes on those gains. The gain is determined by using the tax basis of the assets compared with the fair value of those assets at the time of the S corporation election. No deferred income taxes have been provided as the built-in gain relates primarily to intangible assets that are not expected to be sold within the ten year holding period.

The foreign entities have elected to be consolidated with the US entities for federal tax purposes. As such, all of the operations are included in the determination of the taxable income of American Apparel, Inc. The foreign taxes may be treated as foreign tax credits at the stockholder level as American Apparel, Inc. is taxed as an S corporation for federal tax purposes.

The Company recognizes deferred tax liabilities and assets for the expected future tax consequences of events that have been included in the financial statements or tax returns. Deferred tax liabilities and assets are determined based on the difference between the financial statement and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. The Company estimates the degree to which tax assets and credit carryforwards will result in a benefit based on expected profitability by tax jurisdiction. A valuation allowance for such tax assets and loss carryforwards is provided when it is determined that such assets will more likely than not go unused.

If it becomes more likely than not that a tax asset will be used, the related valuation allowance on such assets would be reversed. Management makes judgments as to the interpretation of the tax laws that might be challenged upon an audit and cause changes to previous estimates of tax liability. In addition, the Company operates within multiple taxing jurisdictions and is subject to audit in these jurisdictions.

In management s opinion, adequate provisions for income taxes have been made for all years. If actual taxable income by tax jurisdiction varies from estimates, additional allowances or reversals of reserves may be necessary.

Fair Value of Financial Instruments

The Company s financial instruments include cash, accounts receivable, accounts payable, revolving line of credit, and long-term debt. The Company estimates that carrying amounts of all financial instruments described above to approximate fair value based upon current market conditions, maturity dates, and other factors.

Advertising, Promotion and Catalog

The Company expenses the production costs of advertising the first time the advertising takes place. The advertising expenses for the three months ended March 31, 2007 and 2006 amounted to $1,325 and $1,511, respectively and were included in selling expense in the Consolidated Statements of Operations. The Company has cooperative advertising arrangements with certain vendors in its US wholesale segment. For the three months ended March 31, 2007 and 2006, cooperative advertising expenses were $93 and $93, respectively.

Shipping and Handling Costs

The Company incurs shipping and handling costs in its operations. These costs, included in Cost of Sales in the Consolidated Statements of Operations, are $1,618 and $1,169 for the three months ended March 31, 2007 and 2006, respectively. Of this amount, $902 and $1,096 has been billed to customers and is included in Net Sales for the three months ended March 31, 2007 and 2006, respectively.

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Deferred Rent, Rent Expense and Tenant Allowances

The Company occupies its retail stores and combined corporate office, manufacturing, and distribution center under operating leases generally with terms of one to ten years. Some leases contain renewal options for periods ranging from five to fifteen years under substantially the same terms and conditions as the original leases. Most of the store leases require payment of a specified minimum rent, a contingent rent based on a percentage of the store s net sales in excess of a specified threshold, plus defined escalating rent provisions. The Company straight-lines and recognizes its rent expense over the term of the lease (including probable lease renewals), plus the construction period prior to occupancy of the retail location, using a mid-month convention. Also included in rent expense are payments of real estate taxes, insurance and certain common area and maintenance costs in addition to the future minimum operating lease payments. All other pre-opening costs are expensed as incurred.

Start-up Costs

The Company expenses as incurred all retail store start-up and organization costs, including travel, training, recruiting, salaries and other operating costs.

Web Site Development Costs

The Company capitalizes applicable costs incurred during the application and infrastructure development stage and expenses incurred during the planning and operating stage. As of March 31, 2007 and 2006, the Company had capitalized website development costs of $273 and $0, respectively, which are included in property and equipment in the accompanying Consolidated Balance Sheets.

Self-insurance accruals

The Company self-insures a significant portion of expected losses under the workers compensation program. Accrued liabilities are recorded based on the Company s estimates of the ultimate costs to settle incurred claims, both reported and unreported.

Comprehensive Income

In accordance with SFAS No. 130, Reporting Comprehensive Income , the Company is required to display comprehensive income and its components as part of its complete set of financial statements (Note 17). Comprehensive income represents the change in stockholders equity resulting from transactions other than stockholder investments and distributions. Included in accumulated other comprehensive income are changes in equity that are excluded from the Company s net loss, specifically, unrealized gains on foreign currency translation adjustments.

Seasonality

The company experiences seasonality in its operations. Historically, sales during the second and third fiscal quarters have generally been the highest, with sales during the first fiscal quarter the lowest. This reflects the combined impact of the seasonality of the wholesale and retail segments. Generally, the company s retail segment has not experienced the same pronounced sales seasonality as other retailers.

Accounting Pronouncements-Newly Issued

In June 2006, the Financial Accounting Standards Board (FASB) issued Interpretation No. 48 Accounting for Uncertainty in Income Taxes-an Interpretation of FASB Statement No. 109 (the Interpretation). The Interpretation establishes for all entities a minimum threshold for financial statement recognition of the benefit of tax positions, and requires certain expanded disclosures. The Interpretation is effective for fiscal years beginning after December 31, 2006, and is to be applied to all open tax years as of the date of effectiveness. The adoption of FASB Interpretation No. 48 did not have a material effect on the Company s consolidated financial statements (Note 18).

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In September 2006, the FASB issued SFAS No. 157 Fair Value Measurements , which defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. Adoption is required for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. Early adoption of SFAS No. 157 is encouraged. The Company is currently evaluating the expected effect of SFAS No. 157 on its consolidated financial statements and is currently not yet in a position to determine such effects.

In February 2007, the FASB issued SFAS No. 159 The Fair Value Option for Financial Assets and Financial Liabilities Including an amendment of FASB Statement No. 115 (SFAS No. 159), which permits entities to choose to measure many financial instruments and certain other items at fair value. The fair value option established by this Statement permits all entities to choose to measure eligible items at fair value at specified election dates. A business entity shall report unrealized gains and losses on items for which the fair value option has been elected in earnings at each subsequent reporting date. Adoption is required for fiscal years beginning after November 15, 2007. Early adoption is permitted as of the beginning of a fiscal year that begins on or before November 15, 2007, provided the entity also elects to apply the provisions of SFAS No. 157. The Company is currently evaluating the expected effect of SFAS No. 159 on its consolidated financial statements and is currently not yet in a position to determine such effects.

The FASB ratified the consensuses reached in Emerging Issues Task Force (EITF) Issue No. 06-3, How Taxes Collected from Customers and Remitted to Governmental Authorities Should Be Presented in the Income Statement (That Is, Gross versus Net Presentation) (EITF 06-3). The EITF reached a consensus that the scope of the Issue includes any tax assessed by a governmental authority that is both imposed on and concurrent with a specific revenue-producing transaction between a seller and a customer, and may include, but is not limited to, sales, use, value added, and some excise taxes. The presentation of taxes within the scope of this Issue on either a gross or a net basis is an accounting policy decision that should be disclosed. Furthermore, for taxes reported on a gross basis, a company should disclose the aggregate amount of those taxes in interim and annual financial statements for each period for which an income statement is presented if that amount is significant. The disclosures required under this consensus should be applied retrospectively to interim and annual financial statements for all periods presented, if those amounts are significant. The Company adopted EITF 06-3 on January 1, 2007. The adoption of EITF 06-3 did not have a significant impact on its consolidated financial position or results of operations. The Company currently records its sales net of any value added or sales tax.

All other recently issued accounting pronouncements are not expected to have a material impact on the Company s consolidated financial statements.

NOTE 4 Variable Interest Entities

In January 2003, the FASB issued Interpretation No. 46, Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51 (FIN 46). In December 2003, the FASB modified FIN 46 to make certain technical corrections and address certain implementation issues that had arisen. FIN 46R provides a new framework for identifying variable interest entities (VIEs) and determining when a company should include the assets, liabilities, non-controlling interests and results of activities of a VIE in its consolidated financial statements.

In general, a VIE is a corporation, partnership, limited liability corporation, trust or any other legal structure used to conduct activities or hold assets that either (1) has an insufficient amount of equity to carry out its

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principle activities without additional subordinated financial support, (2) has a group of equity owners that are unable to make significant decisions about its activities, or (3) has a group of equity owners that do not have the obligation to absorb losses or the right to receive returns generated by its operations.

The Company identified an affiliate in Canada (Canadian Affiliate) that is determined to be a VIE under the provisions of FIN 46R. The Company determined it is not the primary beneficiary of the VIE and, as a result, has not consolidated the entity.

The Canadian Affiliate, which is indirectly owned by one of the Company s 50% owners, has been in business since 1994. The Canadian Affiliate through its combined group of related companies operates 20 retail stores in Canada that sell the Company s products. The Canadian Affiliate s total assets at March 31, 2007 and 2006 were approximately $16,059 USD and $14,794 USD, respectively, and its total equity was $1,609 USD and $1,286 USD, respectively. The Company sells the Canadian Affiliate merchandise on credit, with payment due 60 days from delivery.

NOTE 5 Inventories, net

The components of inventories at March 31 are as follows:

	2007	2006
Raw materials	$ 24,268	$ 22,853
Work in process	1,768	1,676
Finished goods	59,875	46,554
Total	$ 85,911	$ 71,083

NOTE 6 Property and Equipment

The components of property and equipment at March 31 are as follows:

	2007	2006	Depreciation and Amortization Period (Years)
Machinery and equipment	$ 18,850	$ 16,327	5-7 years
Furniture and fixtures	8,738	6,506	5 years
Computers and software	8,555	6,663	3-5 years
Automobiles	327	84	3 years
Leasehold Improvements	28,495	19,518	Shorter of the life of lease or useful life

Construction in progress	697	803
	65,662	49,901
Accumulated depreciation and amortization	(22,538)	(13,091)
Total	$ 43,124	$ 36,810

For the three months ended March 31, 2007 and 2006, depreciation and amortization expense relating to property and equipment (including capitalized leases) was $2,448 and $2,144, respectively. At March 31, 2007 and 2006, property and equipment includes $6,833 and $8,720 for assets held under capital leases, respectively.

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NOTE 7 Goodwill and Other Intangible Assets

Goodwill

There were no changes in the carrying amount of goodwill by segment for the three months ended March 31, 2007 and 2006. Goodwill related to the acquisition of American Apparel Dyeing & Finishing, Inc. on June 2, 2005, and was assigned to the U.S. wholesale segment.

Intangible Asset, net

The carrying amounts of intangible assets at March 31, are as follows:

	2007 Carrying Amount	2006 Carrying Amount	Amortization Period (Years)
Definite lived intangible assets:			
Key money store leases	$ 512	$ 126	Life of lease
Lease rights	665	284	Life of lease
Deferred financing charges	413		Life of finance agreement
	1,590	410	
Accumulated Amortization	(202)	(51)	
Total	$ 1,388	$ 359	

Key money is the amount of funds paid to a landlord or tenant to acquire the rights of tenancy under a commercial property lease for a certain property. Key money represents the right to lease with an automatic right of renewal. This right can be subsequently sold by the Company or can be recovered should the landlord refuse to allow the automatic right of renewal to be exercised. Key money is amortized over the respective lease terms.

Lease rights are costs incurred to acquire the right to lease a specific property. A majority of our lease rights are related to premiums paid to landlords. Lease rights are recorded at cost and are amortized over the estimated useful term of the respective leases.

Aggregate amortization expense of other definite lived intangible assets included in the Consolidated Statement of Operations under the caption General and administrative expenses for the three months ended March 31, 2007 and 2006 was approximately $78 and $69.

NOTE 8 Other Assets

The components of other assets at March 31 are as follows:

	2007	2006
Lease security deposits	$ 5,058	$ 4,356
Worker s Compensation deposit	1,940	
Other	272	64
Total	$ 7,270	$ 4,420

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NOTE 9 Accrued Expenses

The components of accrued expenses at March 31 are as follows:

	2007	2006
Accrued compensation and related taxes	$ 3,034	$ 1,835
Worker s Compensation self-insurance reserves	2,847	1,333
Sales, value added tax, property taxes	1,662	1,018
Accrued interest	660	106
Gift certificates	536	257
Other	1,714	1,396
Total	$ 10,453	$ 5,945

NOTE 10 Long-term Bank Debt

Long-term bank debt at March 31 consists of the following:

	2007	2006
Credit Line Facility		
Revolving Credit Facility, maturing January 2010 all current (a)	$ 51,373	$ 45,073
Term Loans and Notes Payable		
Term loan with bank, maturing September 2007 (b)		7,500
Term loan with bank, maturing March 2010 (b)		2,304
Term loan with bank, maturing October 2007 (c)	36	99
Term loan with bank, maturing December 2008 (c)	351	539
Term loan with private investment firm, maturing November 2008 (d)	41,000	
Various notes payable (e)	137	602
Leasehold improvement note, maturing March 2010 (f)	114	143
Leasehold improvement note, maturing April 2007 (f)	1,014	1,096
	42,652	12,283
Total Long-Term Bank Debt	94,025	57,356
Less current portion of bank debt	93,765	52,503
Long-Term Bank Debt, net of current portion	$ 260	$ 4,853

(a) At March 31, 2007 and 2006, the revolving credit facility with a bank provided for borrowings up to $62,500 and $55,000, respectively. Borrowings under the facility are subject to certain advance provisions established by the bank and are collateralized by all assets of the Company. Interest under the agreement is at LIBOR (5.32% plus 2% and 4.83% plus 3% at March 31, 2007 and 2006, respectively) or the bank s prime rate (8.25% and 7.75% at March 31, 2007, and 2006, respectively) plus 2.25%, at the Company s option. The interest rate was 7.32% at March 31, 2007. The facility expires in January 2010. The average borrowings during the three months ended March 31, 2007 and 2006 were $48,651 and $44,925, respectively. Stockholders of the Company personally guaranteed the borrowings. On January 18, 2007, the

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Company negotiated an increase in the size of its credit facility to $62,500. Among other requirements, this facility agreement includes a subjective acceleration clause and requires the Company to maintain a lock box. Currently, the Company is not in compliance with certain financial ratio covenants.

(b) At March 31, 2006, the Company had two term loans with a bank. The first loan was payable in monthly installments of $417, including interest at prime plus 1% through September 2007. The balance at March 31, 2006 was $7,500. The second loan was payable in monthly installments of $48, including interest at prime (7.75% at March 31, 2006) plus 1% through March 2010. The balance at March 31, 2006 was $2,304. Both of these loans were secured by related equipment. On January 18, 2007, the Company completed a $41,000 secured debt financing with a private investment firm (see (e) below). A portion of the financing proceeds was used to pay off both of these loans without any prepayment penalty. Since the new debt is in default, these term loans are presented as current liabilities in the accompanying Consolidated Balance Sheet.

(c) At March 31, 2007 and 2006, the Company has two term loans with a financial institution. The first loan is payable in monthly installments of $5, including interest at prime (8.25% and 7.75% at March 31, 2007 and 2006) plus 1% through October 2007. The balances at March 31, 2007 and 2006 were $36 and $99. The second loan is payable in monthly installments of $22, including interest at prime plus 1% through December 2008. The balances at March 31, 2007 and 2006 were $351 and $539. Both of these loans are secured by related equipment.

(d) At March 31, 2007 the Company has a term loan agreement with a private investment firm with at balance of $41,000. Indebtedness under the agreement bears interest at 16% per annum, payable monthly and matures on November 30, 2008. The agreement requires the Company to meet certain financial covenants. In the event the Company is in default under the agreement, the interest rate increases to 21% per annum and the private investment firm has the right to demand payment in full of all outstanding indebtedness. Currently the Company is not in compliance with certain financial ratio covenants. Accordingly, this debt has been reclassified from long term liabilities to current liabilities. The agreement does not allow any prepayments prior to January 18, 2008 and subsequent to that date, any prepayment shall include a prepayment premium equal to 3% of the amount prepaid.

(e) At March 31, 2007 and 2006, the Company had various promissory notes payable in monthly installments aggregating $18 and $51, including interest ranging from 4.6% to 11.9% and maturing at various dates through August 2011. The notes are collateralized by equipment.

(f) At March 31, 2007 and 2006, the Company had two leasehold improvement term loans. The first loan is payable in monthly installments of $3 through March 2010, including interest at a rate of 8%. The balances at March 31, 2007 and 2006 were $114 and $143.

The second loan is Payable in monthly interest only payments at 9% through April 2007. The balances at March 31, 2007 and 2006 were $1,014 and $1,096, respectively.

NOTE 11 Notes Payable to Unrelated Parties

Unsecured notes payable to certain unrelated individuals are due upon demand with interest ranging from 10% to 24% per annum. The balances outstanding at March 31, 2007 and 2006 were $6,413 and $3,146, respectively. Notes are personally guaranteed by a stockholder.

NOTE 12 Notes Payable to Related Parties

Unsecured notes payable to certain individuals related to a stockholder are due upon demand with interest ranging from 12% to 18% per annum. The balances outstanding at March 31, 2007 and 2006 were $2,540 and $903, respectively.

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NOTE 13 Subordinated Notes Payable to Unrelated Party

The Company had a financing agreement for borrowings of $12,500 with an unrelated third party, (the current second lien lender). Interest on the loan was at a rate of 17%. The Company paid monthly interest payments at a rate of 11% on the current outstanding principal balance. The remaining unpaid portion of all monthly interest was added to the principal balance. The balance outstanding at March 31, 2006 was $13,577, which included accrued interest aggregating $1,701. On January 18, 2007, the Company completed a $41,000 secured debt financing with a private investment firm (Note 10). A portion of the financing proceeds was used to pay off this loan plus the accrued interest without any prepayment penalty.

NOTE 14 Subordinated Notes Payable to Related Parties

The Company has unsecured notes payable with a related party (relative of a stockholder), which are due upon demand with interest at 18%. The balance outstanding at March 31, 2007 and 2006 was $180. The note is subordinated to the interest of the bank which holds the Company s current revolving credit facility.

The Company has an unsecured note payable to a stockholder which is due on demand with interest at 12%. The balance outstanding at March 31, 2007 and 2006 was $180. The note is subordinated to the interest of the bank.

NOTE 15 Capital Lease Obligations

The Company leases certain equipment under capital lease arrangements expiring at various times through 2011. The assets and liabilities under capital leases are recorded at the lower of the present values of the minimum lease payments or the fair values of the assets. The interest rates pertaining to these capital leases range from 6.00% to 18.00% (average interest rate is 11.9%).

Minimum future payments under these capital leases at March 31 are:

	2007	2006
Total future minimum lease payments	$ 6,975	$ 7,599
Less: amounts representing interest	(831)	(903)
Net minimum lease payments	6,144	6,696
Current portion	(3,151)	(2,764)
Long-term portion	$ 2,993	$ 3,932

NOTE 16 Related Party Transactions

In December 2005, the Company entered into an operating lease, which commenced on November 15, 2006, for its knitting facility with a related company, which is partially owned by the stockholders of the Company. The monthly lease payments are $48 and the lease expires in November 2016.

NOTE 17 Comprehensive Income

Total comprehensive income for the Company includes net income (loss) and the effects of foreign currency translation, which are charged or credited to the accumulated other comprehensive income account within stockholders equity. Total comprehensive income for the three months ended March 31 is as follows:

	2007	2006
Net income (loss), as reported	$ 1,709	$ (313)
Changes in:		
Foreign currency translation adjustments	37	891
Total Comprehensive Income	$ 1,746	$ 578

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The change in the cumulative foreign currency translation adjustment primarily relates to the Company s investment in its foreign subsidiaries and fluctuations in exchange rates between their local functional currencies and the U.S. Dollar.

The Company does not record deferred income taxes relating to accumulated other comprehensive income due to their Subchapter S election in the U.S. and the foreign entities taxes as disregarded entities.

NOTE 18 Income Taxes

On January 1, 2007 the Company adopted the provisions of the Financial Accounting Standards Board (FASB) Interpretation No. 48, Accounting for Uncertainty in Income Taxes an Interpretation of FASB No. 109 (FIN No. 48). FIN No. 48 addresses the determination of how tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under Fin No. 48, the Company must recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate resolution. The Company did not recognize any additional liabilities for uncertain tax positions as a result of the implementation of FIN No. 48. We had no unrecognized tax benefits as of the date of adoption or as of March 31, 2007.

The Company s uncertain tax positions are related to tax years that remain subject to examination by the relevant taxing authorities. The Company is currently open to audit under the statute of limitations by the Internal Revenue Service for the fiscal year ended June 30, 2004 and the calendar years ended December 31, 2004 through December 31, 2006. The Company and its subsidiaries state and foreign tax returns are also open to audit under similar statute of limitations for the same tax years. The Company does not expect its unrecognized tax benefit position to change during the next twelve months. Management is currently unaware of any issues under review that could result in significant payments, accruals or material deviations from its position.

The Company accrues interest on unrecognized tax benefits as a component of income tax expense. Penalties, if incurred, would be recognized as a component of income tax expense. The Company had no such accrued interest or penalties included in the accrued liabilities associated with unrecognized tax benefits as of the date of adoption or as of March 31, 2007. The Company does not expect its unrecognized tax benefit position to change during the next twelve months. Management is currently unaware of any issues under review that could result in significant payments, accruals or material deviations from its position.

Pursuant to Internal Revenue Code Sections 382 and 383, the annual use of the Company s general business credit carryforwards may be limited if there is greater than a 50% cumulative change in ownership.

The difference between the federal statutory rate of 34% and the effective tax rate of about 26% and 10% for the three months ended March 31, 2007 and 2006, respectively, is due to applying the annual expected effective tax rate to the interim period. The difference between the statutory rate and the effective tax rate is due to the impact of the Company s S Corporation status for federal income tax purposes with no federal tax imposed, state income taxes, and foreign taxes.

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For the three months ending March 31, Income tax expense differs from the amount computed by applying the federal statutory tax rate of 34% to loss before income taxes as shown below:

	2007	2006
Computed expected income tax expense	$ 443	$ 272
Reduced Federal tax rate for S Corporations	(443)	(272)
State income taxes, net of Federal income tax benefit	53	100
California enterprise zone tax credits	(708)	(708)
Change in valuation allowance	708	708
Foreign taxes	544	(135)
Income Tax Expense	$ 597	$ (35)

NOTE 19 Commitments

Operating Leases

The Company conducts retail operations under operating leases, which expire at various dates through 2020. Future minimum rental payments, including related party lease (Note 16) (excluding real estate tax and maintenance costs) for retail locations and other leases that have initial or noncancelable lease terms in excess of one year at March 31, 2007 are as follows:

Twelve months ending March 31,	Amount
2008	$ 26,466
2009	24,802
2010	21,036
2011	18,745
2012	13,368
Thereafter	56,114
Total	$ 160,531

Operating lease rent expense (including real estate taxes and maintenance costs) and leases on a month to month basis were approximately $7,025 and $5,503 for the three months ending March 31, 2007 and 2006, respectively. The Company did not incur any contingent rent during the same period. Rent expense is included in cost of sales and general and administrative expenses in the accompanying Consolidated Statements of Operations.

Sales Tax

The Company has been contacted by the California State Board of Equalization in regard to scheduling a Sales and Use Tax audit for the period January 1, 2002 through December 31, 2004. No provision has been made for any future assessment, if any, which might be determined by the State Board of Equalization at the outcome of the audit.

California Franchise Tax Board

The Company has been contacted by the California Franchise Tax Board in regard to scheduling an audit related to California Enterprise Zone Tax Credits taken by the Company for the 2001 and 2002 income tax years.

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No provision has been made for any future assessment, if any, which might be determined by the California Franchise Tax Board at the outcome of the audit. However, the California Enterprise Zone Tax Credits have a full valuation allowance at December 31, 2006 (Note 18).

Advertising

At March 31, 2007 and 2006 the Company had approximately $199 and $80 in open advertising commitments, respectively, which primarily relate to print advertisements in various newspapers and magazines during 2007 and 2006 respectively.

NOTE 20 Workers Compensation Self-Insurance Reserves

Self Insurance Reserves

The workers compensation liability is based on the insurance company s estimate of losses for claims incurred, but not paid at year end. Funding is made directly to the providers and/or claimants by the insurance company. To guarantee performance under the workers compensation program, as of March 31, 2007 and 2006, the Company has issued standby letters of credit in the amount of $3,256 and $3,256, respectively, with two insurance companies being the beneficiaries, through US Bank along with cash deposits of $1,940 as of March 31, 2007. There were no cash deposits as of March 31, 2006. At March 31, 2007 and 2006, the Company recorded a reserve of $2,847 and $1,333 respectively for potential losses on existing claims as such amounts are believed to be probable and reasonably estimable.

NOTE 21 Business Segment and Geographic Area Information

Segment Information

The Company s management reporting system evaluates performance based on a number of factors; however, the primary measures of performance are the net sales and income or loss from operations of each segment, as these are the key performance indicators reviewed by management. Operating income or loss for each segment does not include corporate general and administrative expenses, interest expense and other miscellaneous income/expense items. Corporate general and administrative expenses include, but are not limited to: human resources, legal, finance, IT and various other corporate level activity related expenses. Such unallocated expenses remain within corporate. The accounting policies of all operating segments are the same as those described in the summary of significant accounting policies in Note 3.

The Company reports the following segments: US Wholesale, US Retail and All Other. All of the Company s sales fall into one of these segments. The US Wholesale consists of sales of undecorated apparel products made to third party embellishers and other apparel manufacturers directly as well as through distributors including sales to its Canadian Affiliate that operates 26 retail stores plus wholesale operations. Internet sales are also recorded in the US wholesale segment. US Retail is comprised of 93 Company owned retail stores operating in the United States selling the Company s apparel products directly to consumers. The All Other segment comprises the international subsidiaries in Israel, continental Europe, the United Kingdom, Mexico, Japan and Korea, which operate 31 retail stores along with wholesale operations. None of these operations meet any of the quantitative thresholds for separate disclosure, as defined in SFAS No. 131, Disclosures About Segments of an Enterprise and Related Disclosures.

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American Apparel, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

as at March 31, 2007

(Unaudited)

(Dollars In Thousands)

The following table represents key financial information of the Company s business segments:

	For the three months ended March 31, 2007			
	US Wholesale	**US Retail**	**All Other**	**Consolidated**
Net sales to external customers	$ 32,062	$ 21,217	$ 15,754	$ 69,033
Income from operations	7,511	2,827	2,028	12,366
Depreciation and amortization	1,219	988	319	2,526
Capital Expenditures	848	39	1,061	1,948
Deferred rent	(37)	364	25	352

	For the three months ended March 31, 2006			
	US Wholesale	**US Retail**	**All Other**	**Consolidated**
Net sales to external customers	32,767	15,918	7,259	55,944
Income from operations	5,065	1,380	(87)	6,358
Depreciation and amortization	1,193	779	241	2,213
Capital Expenditures	763	2,861	1,160	4,784
Deferred rent	(12)	519	(38)	469

Reconciliation to Income (Loss) Before Income Taxes for the three months ended March 31,

	2007	**2006**
Consolidated Income from operations of reportable segments	$ 12,366	$ 6,358
Corporate expenses	(6,497)	(4,128)
Interest expense	(3,674)	(2,408)
Other income (loss)	157	(213)
Foreign currency loss (gain)	(46)	43
Consolidated Income (Loss) Before Income Taxes	$ 2,306	$ (348)

	2007	**2006**
Net sales by location of customer		
United States	$ 53,278	$ 38,390
Germany	8,328	3,930
Canada		10,295
United Kingdom	3,492	1,486
Japan	1,811	765
Other foreign countries	2,124	1,078

Total Consolidated Sales	$ 69,033	$ 55,944

American Apparel, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

as at March 31, 2007

(Unaudited)

(Dollars In Thousands)

Long-lived assets Property and equipment, as of March 31.

	2007	2006
United States	$ 36,246	$ 32,178
Germany	3,765	1,763
Japan	1,395	1,032
Korea	616	294
United Kingdom	933	810
France		
Other foreign countries	169	733
Consolidated Long-lived Assets	$ 43,124	$ 36,810
Identifiable assets by segment		
US wholesale	$ 118,382	$ 107,908
US retail	32,074	20,845
All other	12,376	6,129
Total	$ 162,832	$ 134,882

Foreign subsidiaries accounted for the following percentages of assets and total liabilities as of March 31,

	2007	2006
Total assets	8%	5%
Total liabilities	4%	4%

Product Revenue

For the three months ended March 31,

	2007	2006
Net sales by class of customer:		
Wholesale	$ 35,441	$ 35,284
Retail	33,592	20,660
Total Consolidated Sales	$ 69,033	$ 55,944

NOTE 22 Litigation

The Company is subject to various claims and contingencies in the ordinary course of its business, including those related to litigation, business transactions, employee-related matters and taxes, among others. When the Company is aware of a claim or potential claim, it assesses the likelihood of any loss or exposure. If it is probable that a loss will result and the amount of the loss can be reasonably estimated, the Company will record a liability for the loss. The liability recorded includes probable and estimable legal costs associated with the claim or potential claim. If the loss is not probable or the amount of the loss cannot be reasonably estimated, the Company discloses the claim if the likelihood of a potential loss is reasonably possible and the amount involved could be material.

American Apparel, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

as at March 31, 2007

(Unaudited)

(Dollars In Thousands)

The Company is currently involved in matters with a few ex-employees who have filed various claims against the Company with the courts and regulatory agencies, which relate to alleged labor law violations, sexual harassment and other vague employment claims. Since these matters are currently in discovery and still in the early stages, no determination can be made at this time as to their final outcome, nor can the range of potential loss be estimated.

A complaint has also been filed against the Company by a customer who is claiming that the Company improperly recorded personal information at the point of sale at one of the Company s retail locations. Since this matter is currently in discovery and still in the early stages, no determination can be made at this time as to its final outcome, nor can the range of potential loss be estimated.

The Company is currently seeking to mediate allegations of misappropriation of image, infringement on the rights of publicity of another and copyright infringement relating to one or more of its past advertisements. At this time, the company is unable to determine either the final outcome of such mediation or able to estimate the range of potential loss.

The above mentioned complaints seek unspecified judgments and attorney s fees and costs. Although the outcome of such items cannot be determined with certainty, the Company is of the opinion that the final outcome of these matters are either without merit or will not have a material adverse impact on its consolidated financial position or results of operations. Management intends to defend itself vigorously against the allegations in these complaints.

NOTE 23 Proposed Merger

On December 18, 2006, the Company signed a definitive merger agreement with Endeavor, a blank check company publicly listed on the American Stock Exchange. Upon consummation of the merger, the Company would become a wholly-owned subsidiary of Endeavor. However, since one of the stockholders of the Company would own a majority of the outstanding common stock of Endeavor, the merger is expected to be accounted for as a reverse acquisition. For accounting purposes, the transaction would be accounted for as a recapitalization of the Company. As part of the merger, the Canadian Affiliate is also being acquired by Endeavor.

The merger is subject to customary closing conditions, and is expected to close in the second half of 2007. As part of the agreement, the Company is required to achieve certain financial targets set forth in the agreement. However, the Company is not in compliance with the financial targets. The Company and Endeavor can terminate the agreement at any time if mutually agreed. The agreement will terminate if a closing does not occur by December 15, 2007, and is subject to the approval of Endeavor s stockholders. There can be no assurances that the merger will be completed.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors

and Stockholders

of American Apparel, Inc.

We have audited the accompanying consolidated balance sheet of American Apparel, Inc. and subsidiaries (the Company) as of December 31, 2006, and the related consolidated statements of operations, changes in stockholders equity and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of American Apparel, Inc. and subsidiaries, as of December 31, 2006, and the results of its operations and its cash flows for the year then ended in conformity with United States generally accepted accounting principles.

The accompanying consolidated financial statements have been prepared assuming the Company will continue as a going concern. As discussed in Note 2 to the consolidated financial statements, the Company is in violation of various loan covenants and has a working capital deficiency as of December 31, 2006 aggregating $29.4 million. These conditions raise substantial doubt about its ability to continue as a going concern. Management s plans concerning those matters are also described in Note 2. The consolidated financial statements do not include any adjustments that might result from the outcome of these uncertainties.

New York, New York

March 22, 2007

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American Apparel, Inc. and Subsidiaries

Consolidated Balance Sheet

(dollars in thousands)

December 31, 2006

ASSETS		
CURRENT ASSETS		
Cash	$ 3,214	
Receivables		
Trade, net of allowances of $2,163	13,969	
Other	1,344	
Prepaid expenses and other current assets	1,670	
Inventories, net	76,470	
Deferred tax asset	336	
TOTAL CURRENT ASSETS		$ 97,003
PROPERTY AND EQUIPMENT, Net		42,469
INTANGIBLE ASSETS, Net		1,062
GOODWILL		950
OTHER ASSETS		6,673
TOTAL ASSETS		$ 148,157

The accompanying notes are an integral part of these consolidated financial statements.

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American Apparel, Inc. and Subsidiaries

Consolidated Balance Sheet

(dollars and shares in thousands) (Continued)

December 31, 2006

LIABILITIES AND STOCKHOLDERS EQUITY		
CURRENT LIABILITIES		
Cash overdraft	$ 2,962	
Current portion of bank debt	55,624	
Notes payable to unrelated parties	6,259	
Notes payable to related parties	2,391	
Subordinated notes payable to unrelated party	14,201	
Subordinated notes payable to related parties	360	
Accounts payable	30,136	
Accrued expenses	9,935	
Due to Canadian Affiliate	336	
Income taxes payable	1,303	
Current portion of capital lease obligations	2,911	
Total Current Liabilities		$ 126,418
LONG-TERM BANK DEBT, Net of current portion		305
CAPITAL LEASE OBLIGATIONS, Net of current portion		3,078
DEFERRED RENT		6,654
TOTAL LIABILITIES		136,455
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS EQUITY		
Common stock, no par value, 1,000 shares authorized, 100 shares issued and outstanding		
Additional paid-in capital	5,706	
Due from stockholders	(553)	
Accumulated other comprehensive income	322	
Retained earnings	6,227	
TOTAL STOCKHOLDERS EQUITY		11,702
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY		$ 148,157

The accompanying notes are an integral part of these consolidated financial statements.

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American Apparel, Inc. and Subsidiaries

Consolidated Statement of Operations

(dollars in thousands)

For the Year Ended December 31, 2006

NET SALES (including sales to the Canadian Affiliate of $10,295)		$ 264,691
COST OF SALES (including cost of sales for the Canadian Affiliate of $10,113)		138,385
GROSS PROFIT		126,306
OPERATING EXPENSES		
Selling	$ 49,320	
Warehouse and distribution	6,669	
General and administrative (including related party rent expense of $380)	61,017	
		117,006
INCOME FROM OPERATIONS		9,300
INTEREST AND OTHER (INCOME) EXPENSE		
Interest expense (including related party interest expense of $14)	10,797	
Foreign currency gain	(601)	
Other income	(607)	
		9,589
LOSS BEFORE INCOME TAXES		(289)
INCOME TAX PROVISION		1,335
NET LOSS		$ (1,624)

The accompanying notes are an integral part of these consolidated financial statements.

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American Apparel, Inc. and Subsidiaries

Consolidated Statement of Stockholders Equity

(dollars and shares in thousands)

For the Year Ended December 31, 2006

	Outstanding Shares	Amount	Additional Paid-In Capital	Due from Stockholders	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Stockholders Equity	Total Comprehensive Income (Loss)
BALANCE, January 1, 2006	100	$	$ 5,706	$ (1,368)	$ (149)	$ 9,757	$ 13,946	
Reclassification of prior year distributions to stockholders				1,210		(1,210)		
Advances to stockholders				(395)			(395)	
Distributions to stockholders						(696)	(696)	
Components of comprehensive income:								
Net loss						(1,624)	(1,624)	$ (1,624)
Foreign currency translation					471		471	471
BALANCE, December 31, 2006	100	$	$ 5,706	$ (553)	$ 322	$ 6,227	$ 11,702	$ (1,153)

The accompanying notes are an integral part of these consolidated financial statements.

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American Apparel, Inc. and Subsidiaries

Consolidated Statement of Cash Flows

(dollars in thousands)

For the Year Ended December 31, 2006

CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers (including cash received from sales to Canadian Affiliate of $10,295)	$ 262,967	
Cash paid to suppliers, employees and others	(244,063)	
Interest paid	(9,607)	
Taxes paid	(845)	
Other	611	
NET CASH PROVIDED BY OPERATING ACTIVITIES		$ 9,063
CASH FLOWS USED IN INVESTING ACTIVITIES		
Purchases of property and equipment		(15,232)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash overdraft from financial institution	(722)	
Borrowings under revolving credit facility, net	6,643	
Distributions to stockholders	(696)	
Advances to stockholders	(395)	
Advances to Canadian Affiliate, net	(1,776)	
Borrowings under notes payable to unrelated parties	4,406	
Borrowings of notes payable to related parties	1,826	
Repayment of notes payable to unrelated parties	(1,089)	
Borrowing under subordinated note payable to related party	180	
Borrowings under term loans and notes payable	7,479	
Repayment of term loans and notes payable	(6,714)	
Repayment of capital lease obligations	(3,141)	
NET CASH PROVIDED BY FINANCING ACTIVITIES		6,001
EFFECT OF EXCHANGE RATE ON CASH		177
NET CHANGE IN CASH		