Endeavor Acquisition Corp.
Form PRER14A
August 20, 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)**

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**(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

x 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.**

**590 Madison Avenue**

**New York, New York 10022**

**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

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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, 50% of the outstanding membership interests of LLC and 100% of the securities of the CI companies (as defined below). ( 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 ), and
- Each of American Apparel Canada Wholesale Inc. and American Apparel Canada Retail Inc., as successors in interest by amalgamation and/or reorganization to 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 ).

American Apparel is a vertically-integrated manufacturer, distributor, and retailer of branded fashion basic apparel. As of July 31, 2007, American Apparel operated 157 retail stores in 11 countries, including the United States, Canada, Mexico, England, Germany, France, 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 and expense as part of its operations 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 October 31, 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 23,739,815 and Endeavor would pay Mr. Lim $66,016,438. 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 approximately 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 $66,016,438 as of October 31, 2007), Mr. Charney will own approximately 54.4% of the outstanding Endeavor common stock and the current stockholders of Endeavor will own approximately 45.6% of the outstanding common stock of Endeavor immediately following the closing.

- assuming approximately 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 $66,016,438 as of October 31, 2007), Mr. Charney will own approximately 58.7% of the outstanding Endeavor common stock and the current stockholders of Endeavor will own approximately 41.3% of the outstanding common stock of Endeavor immediately following the closing.

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**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 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 current officers will continue with Endeavor after the acquisition. All of the current officers of American Apparel will continue in their current or related 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.*

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**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 F.*

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 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

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participate in an enterprise with significant growth potential. American Apparel had annual growth rate in revenues of approximately 41.1% from revenues of approximately $201.5 million in 2005 to revenues of approximately $284.3 million in 2006, and annual growth rate in EBITDA of approximately 29.8% from EBITDA of approximately $18.8 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 68.3% from pro forma adjusted EBITDA of approximately $16.4 million in the first six months of 2006 to pro forma adjusted EBITDA of approximately $27.6 million in the first six 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 $119.4 million as of June 30, 2007, American Apparel was required 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 and 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.

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.

| | |
|---|---|
| **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.

590 Madison Avenue, 35th Floor

New York, New York 10022

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, 8th 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 six months ended June 30, 2007 (unaudited) and June 30, 2006 (unaudited) and years ended December 31, 2006 (audited), December 31, 2005 (audited) and December 31, 2004 (unaudited) and consolidated balance sheets as of June 30, 2007 (unaudited), June 30, 2006 (unaudited), December 31, 2006 (audited), December 31, 2005 (audited) and December 31, 2004 (unaudited), are included elsewhere in this proxy statement.

The CI companies combined statements of operations for the six months ended June 30, 2007 (unaudited) and June 30, 2006 (unaudited) and years ended December 31, 2006 (audited), December 31, 2005 (audited) and December 31, 2004 (unaudited) and combined balance sheets as of June 30, 2007 (unaudited), June 30, 2006 (unaudited), December 31, 2006 (audited), December 31, 2005 (audited) and December 31, 2004 (unaudited), are included elsewhere in this proxy statement.

Endeavor s statements of operations for the six months ended June 30, 2007 (unaudited) and June 30, 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 June 30, 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 interim financial statements for the period ended June 30, 2007 and 2006 were not required to be reviewed and therefore not reviewed by an independent registered public accounting firm using professional review standards and procedures.

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)**

| | Six Months Ended June 30, 2007 (unaudited) | Six Months Ended June 30, 2006 (unaudited) | Year Ended December 31, 2006 | Year Ended December 31, 2005 | Year Ended December 31, 2004 (unaudited) |
|---|---|---|---|---|---|
| **Consolidated Statements of Operations:** | | | | | |
| Net sales | $ 157,248 | $ 123,238 | $ 264,691 | $ 188,106 | $ 127,929 |
| Cost of sales | 70,770 | 64,242 | 138,385 | 101,048 | 80,995 |
| Gross profit | 86,478 | 58,996 | 126,306 | 87,058 | 46,934 |
| Operating expenses | 69,304 | 51,645 | 117,006 | 76,823 | 37,676 |
| Income from operations | 17,174 | 7,351 | 9,300 | 10,235 | 9,258 |
| Interest expense | 8,096 | 5,042 | 10,797 | 6,258 | 1,928 |
| Other expense (income) | 156 | (107) | (1,208) | 2 | (12) |
| Income (loss) before income taxes | 8,922 | 2,416 | (289) | 3,975 | 7,342 |
| Income tax expense (benefit) | 2,674 | 392 | 1,335 | 392 | 1,019 |
| Net income (loss) | $ 6,248 | $ 2,024 | $ (1,624) | $ 3,583 | $ 6,323 |

| | June 30, 2007 (unaudited) | June 30, 2006 (unaudited) | December 31, 2006 | December 31, 2005 | December 31, 2004 (unaudited) |
|---|---|---|---|---|---|
| **Consolidated Balance Sheet Data:** | | | | | |
| Total assets | $ 175,220 | $ 137,194 | $ 148,157 | $ 124,226 | $ 82,865 |
| Total current liabilities | 55,231 | 45,428 | 59,794 | 44,915 | 57,622 |
| Total long-term liabilities | 103,198 | 76,044 | 76,661 | 65,365 | 12,780 |
| Stockholders equity | 16,791 | 15,722 | 11,702 | 13,946 | 12,463 |

| | Six Months Ended June 30, 2007 (unaudited) | Six Months Ended June 30, 2006 (unaudited) | Year Ended December 31, 2006 | Year Ended December 31, 2005 | Year Ended December 31, 2004 (unaudited) |
|---|---|---|---|---|---|
| **Other Cash Flow Data:** | | | | | |
| Cash Flow (used in) from operations | $ (15,383) | $ (721) | $ 9,886 | $ (1,116) | $ (16,607) |
| Cash Flow used in investing activities | (5,451) | (8,472) | (15,232) | (15,859) | (9,895) |
| Cash Flow from financing activities | 23,201 | 9,567 | 6,001 | 17,428 | 27,756 |
| Effect on cash from exchange rates | 51 | 92 | 177 | (136) | |
| Net change in cash | $ 2,418 | $ 466 | $ 832 | $ 317 | $ 1,254 |
| **Other Consolidated Data (unaudited):** | | | | | |
| EBITDA (b) | $ 22,283 | $ 12,093 | $ 19,938 | $ 15,603 | $ 11,476 |

(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)**

| | Six Months Ended June 30, 2007 CDN $ (unaudited) | 2007 USD $ (c) (unaudited) | 2006 CDN $ (unaudited) | 2006 USD $ (c) (unaudited) |
|---|---|---|---|---|
| **Combined Statements of Operations:** | | | | |
| Net sales | $ 20,341 | $ 17,924 | $ 16,136 | $ 14,174 |
| Cost of sales | 6,960 | 6,133 | 5,574 | 4,896 |
| Gross profit | 13,381 | 11,791 | 10,562 | 9,278 |
| Operating expenses | 11,970 | 10,548 | 9,970 | 8,758 |
| Income from operations | 1,411 | 1,243 | 592 | 520 |
| Interest expense | 742 | 653 | 503 | 442 |
| Other expense (income) | | | | |
| Income before income taxes | 669 | 590 | 89 | 78 |
| Income tax expense | 396 | 348 | 41 | 36 |
| Net Income | $ 273 | $ 242 | $ 48 | $ 42 |

| | June 30, 2007 CDN $ (unaudited) | 2007 USD $ (c) (unaudited) | 2006 CDN $ (unaudited) | 2006 USD $ (c) (unaudited) |
|---|---|---|---|---|
| **Combined Balance Sheet Data:** | | | | |
| Total assets | $ 18,339 | $ 17,246 | $ 19,180 | $ 17,203 |
| Total current liabilities | 9,845 | 9,258 | 12,687 | 11,379 |
| Total long-term liabilities | 6,161 | 5,794 | 4,852 | 4,352 |
| Shareholders equity | 2,333 | 2,194 | 1,641 | 1,472 |

| | Six Months Ended June 30, 2007 CDN $ (unaudited) | 2007 USD $ (c) (unaudited) | 2006 CDN $ (unaudited) | 2006 USD $ (c) (unaudited) |
|---|---|---|---|---|
| **Other Cash Flow Data:** | | | | |
| Cash Flow from (used in) operations | $ 1,093 | $ 963 | $ (2,103) | $ (1,847) |
| Cash Flow (used in) investing activities | (326) | (287) | (558) | (490) |
| Cash Flow from financing activities | (1,175) | (1,035) | 2,415 | 2,121 |
| Effect on cash from exchange rates | | 14 | | 5 |
| Net change in cash | $ (408) | $ (345) | $ (246) | $ (211) |

| | Six Months Ended June 30, | | | |
|---|---|---|---|---|
| | 2007 CDN $ (unaudited) | 2007 USD $ (c) (unaudited) | 2006 CDN $ (unaudited) | 2006 USD $ (c) (unaudited) |
| **Other Data (unaudited):** | | | | |
| EBITDA (b) | $ 4,303 | $ 3,792 | $ 2,733 | $ 2,401 |

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(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 June 30, 2007 and 2006 were converted at an exchange rate of $0.9404 and $0.8969, respectively. Canadian dollars presented for the six months ended June 30, 2007 and 2006 were converted at an exchange rate of $0.8812 and $0.8784, 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 $ | 2005 USD $ (c) | 2004 CDN $ (unaudited) | 2004 USD $ (c) (unaudited) |
|---|---|---|---|---|---|---|
| **Combined Statements of Operations:** | | | | | | |
| Net sales | $ 34,658 | $ 30,544 | $ 29,283 | $ 23,728 | $ 17,379 | $ 13,384 |
| Cost of sales | 12,528 | 11,041 | 11,119 | 9,010 | 8,472 | 6,525 |
| Gross profit | 22,130 | 19,503 | 18,164 | 14,718 | 8,907 | 6,859 |
| Operating expenses | 20,797 | 18,328 | 17,391 | 14,092 | 8,382 | 6,455 |
| Income from operations | 1,333 | 1,175 | 773 | 626 | 525 | 404 |
| Interest expense | 1,151 | 1,014 | 642 | 520 | 343 | 264 |
| Income before income taxes | 182 | 161 | 131 | 106 | 182 | 140 |
| Income tax expense | 271 | 239 | 138 | 112 | 71 | 55 |
| Net (loss) income | $ (89) | $ (78) | $ (7) | $ (6) | $ 111 | $ 85 |

| | December 31, 2006 CDN $ | 2006 USD $ (c) | 2005 CDN $ | 2005 USD $ (c) | 2004 CDN $ (unaudited) | 2004 USD $ (unaudited) |
|---|---|---|---|---|---|---|
| **Combined Balance Sheet Data:** | | | | | | |
| Total assets | $ 18,082 | $ 15,532 | $ 17,297 | $ 14,834 | $ 11,148 | $ 9,275 |
| Total current liabilities | 8,287 | 7,119 | 10,756 | 9,225 | 7,812 | 6,499 |
| Total long-term liabilities | 8,093 | 6,951 | 5,073 | 4,350 | 2,046 | 1,702 |
| Shareholders equity | 1,702 | 1,462 | 1,468 | 1,259 | 1,290 | 1,074 |

| | Year Ended December 31, 2006 CDN $ | 2006 USD $ (c) | 2005 CDN $ | 2005 USD $ (c) | 2004 CDN $ (unaudited) | 2004 USD $ (c) (unaudited) |
|---|---|---|---|---|---|---|
| **Other Cash Flow Data:** | | | | | | |
| Cash Flow from (used in) operations | $ (519) | $ (457) | $ 129 | $ 106 | $ 1,614 | $ 1,241 |
| Cash Flow used in investing activities | (1,881) | (1,658) | (3,908) | (3,225) | (3,339) | (2,565) |
| Cash Flow from financing activities | 2,814 | 2,480 | 4,025 | 3,322 | 1,724 | 1,324 |
| Effect on cash from exchange rates | | (9) | | 8 | | |
| Net change in cash | $ 414 | $ 356 | $ 246 | $ 211 | $ 0 | $ 0 |

| | Year Ended December 31, 2006 CDN $ | 2006 USD $ (c) | 2005 CDN $ | 2005 USD $ (c) | 2004 CDN $ (unaudited) | 2004 USD $ (c) (unaudited) |
|---|---|---|---|---|---|---|
| **Other Data (unaudited):** | | | | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| EBITDA (b) | $ 5,324 | $ 4,693 | $ 4,217 | $ 3,475 | $ 2,717 | $ 2,088 |

(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, 2005 and 2004 were converted at an exchange rate of \$0.8590, \$0.8576 and \$0.8319, respectively. Canadian dollars presented for the year ended December 31, 2006, 2005 and 2004 were converted at an exchange rate of \$0.8813, \$0.8103 and \$0.77014, respectively.

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**Endeavor Acquisition Corp.**

**Selected Historical Financial Information**

**(in thousands of dollars, except share data)**

| | Six Months Ended June 30, 2007 (unaudited) | Six Months Ended June 30, 2006 (unaudited) | Year Ended December 31, 2006 | Period from July 22, 2005 (Inception) to December 31, 2005 |
|---|---|---|---|---|
| **Statements of Operations:** | | | | |
| Selling, general & administrative expenses | $ 514 | $ 419 | $ 1,101 | $ 63 |
| Income (loss) from operations | (514) | (419) | (1,101) | (63) |
| Interest expense | | | | |
| Dividend and interest income | 2,152 | 1,866 | 3,974 | 118 |
| Income before provision for income taxes | $ 1,638 | $ 1,447 | $ 2,873 | $ 55 |
| Provision for income taxes | | 252 | 3 | 1 |
| Net income | $ 1,638 | $ 1,195 | $ 2,870 | $ 54 |
| Accretion of trust fund relating to common stock subject to possible conversion | 430 | 374 | 794 | 24 |
| Net income available to common stockholders | $ 1,208 | $ 821 | $ 2,076 | $ 30 |
| Weighted average diluted shares outstanding | 17,378,713 | 16,663,234 | 16,668,534 | 4,670,245 |
| Basic and diluted net income per share | $ 0.07 | $ 0.05 | $ 0.12 | $ 0.01 |

| | June 30, 2007 (unaudited) | June 30, 2006 (unaudited) | December 31, 2006 | December 31, 2005 |
|---|---|---|---|---|
| **Balance Sheet Data:** | | | | |
| Total assets | $ 127,729 | $ 123,865 | $ 125,546 | $ 113,640 |
| Total current liabilities | 805 | 254 | 260 | 64 |
| Common stock subject to possible conversion | 25,452 | 24,602 | 25,022 | 22,461 |
| Stockholders equity | 101,472 | 99,009 | 100,264 | 91,115 |

| | Six Months Ended June 30, 2007 (unaudited) | Six Months Ended June 30, 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 | $ 1,902 | $ 1,481 | $ 3,137 | $ (68) |

| | | | | |
|---|---|---|---|---|
| Cash Flow used in investing activities | (2,149) | (10,707) | (12,809) | (112,308) |
| Cash Flow from financing activities | 140 | 8,840 | 8,694 | 113,521 |
| Net change in cash | (107) | (386) | $ (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 $11.6 million or 81.1% from EBITDA of approximately $14.3 million in the first six months of 2006 to EBITDA of approximately $25.9 million in the first six months of 2007.

American Apparel had growth in EBITDA of approximately $5.7 million or 30.5% from EBITDA of approximately $18.7 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:

| | Six Months Ended June 30, | | Year Ended December 31, | | |
|---|---|---|---|---|---|
| | 2007 (unaudited) | 2006 (unaudited) | 2006 (unaudited) | 2005 (unaudited) | 2004 (unaudited) |

| | | | | | |
|---|---|---|---|---|---|
| Net income (loss) | $ 6,286 | $ 1,836 | $ (1,884) | $ 3,253 | $ 6,223 |
| Income taxes | 3,022 | 428 | 1,574 | 506 | 1,074 |
| Interest expense | 8,750 | 5,484 | 11,811 | 6,788 | 2,192 |
| Depreciation and amortization | 6,051 | 5,348 | 10,903 | 6,311 | 2,496 |
| Related-party management fee | 1,762 | 1,168 | 2,045 | 1,896 | 1,394 |
| **EBITDA** | $ 25,871 | $ 14,264 | $ 24,449 | $ 18,754 | $ 13,379 |

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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:

| | Six Months Ended June 30, 2007 (unaudited) | Six Months Ended June 30, 2006 (unaudited) | Year Ended December 31, 2006 (unaudited) | Year Ended December 31, 2005 (unaudited) | Year Ended December 31, 2004 (unaudited) |
|---|---|---|---|---|---|
| Net income (loss) | $ 6,248 | $ 2,024 | $ (1,624) | $ 3,583 | $ 6,323 |
| Income taxes | 2,674 | 392 | 1,335 | 392 | 1,019 |
| Interest expense | 8,096 | 5,042 | 10,797 | 6,258 | 1,928 |
| Depreciation and amortization | 5,265 | 4,635 | 9,430 | 5,370 | 2,206 |
| **EBITDA** | $ 22,283 | $ 12,093 | $ 19,938 | $ 15,603 | $ 11,476 |

*Reconciliation of the CI companies EBITDA*

The following tables present 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:

| | Six Months Ended June 30, 2007 CDN $ (unaudited) | 2007 USD $ (unaudited) | 2006 CDN $ (unaudited) | 2006 USD $ (unaudited) |
|---|---|---|---|---|
| Net Income | $ 273 | $ 242 | $ 48 | $ 42 |
| Income taxes | 396 | 348 | 41 | 36 |
| Interest expense | 742 | 654 | 503 | 442 |
| Depreciation and amortization | 892 | 786 | 812 | 713 |
| Related party management fee | 2,000 | 1,762 | 1,329 | 1,168 |
| **EBITDA** | $ 4,303 | $ 3,792 | $ 2,733 | $ 2,401 |

| | Year Ended December 31, 2006 CDN $ (unaudited) | 2006 USD $ (unaudited) | 2005 CDN $ (unaudited) | 2005 USD $ (unaudited) | 2004 CDN $ (unaudited) | 2004 USD $ (unaudited) |
|---|---|---|---|---|---|---|
| Net income (loss) | $ (89) | $ (78) | $ (7) | $ (6) | $ 111 | $ 85 |
| Income taxes | 271 | 239 | 138 | 114 | 71 | 55 |
| Interest expense | 1,151 | 1,014 | 642 | 530 | 343 | 264 |
| Depreciation and amortization | 1,671 | 1,473 | 1,146 | 941 | 378 | 290 |
| Related party management fee | 2,320 | 2,045 | 2,298 | 1,896 | 1,814 | 1,394 |
| **EBITDA** | $ 5,324 | $ 4,693 | $ 4,217 | $ 3,475 | $ 2,717 | $ 2,088 |

*Elimination of Intercompany profit between AAI and CI*

| | Six Months Ended | | | | Year Ended December 31, | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2007 CDN $ | 2007 USD $ | 2006 CDN $ | 2006 USD $ | 2006 CDN $ | 2006 USD $ | 2005 CDN $ | 2005 USD $ | 2004 CDN $ | 2004 USD $ |
| | | | | | (unaudited) | | | | | |
| Net loss | $ (230) | $ (203) | $ (262) | $ (230) | $ (207) | $ (182) | $ (393) | $ (324) | $ (242) | $ (185) |

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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 six months ended June 30, 2007 and the year ended December 31, 2006 with those of AAI and the CI companies for the six months ended June 30, 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 June 30, 2007, giving effect to the transactions described in the Acquisition Agreement as if they had occurred on June 30, 2007.

The unaudited pro forma adjustments are based upon available information and assumptions that we believe are directly attributable to the transaction and are factually supportable. 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 years ended December 31, 2006 and December 31, 2005 as well as unaudited for the year ended December 31, 2004.
- 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 six months ended June 30, 2007; and
- separate historical unaudited financial statements of Endeavor for the six months ended June 30, 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 approximately 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 $66,016,438 assuming a closing on October 31, 2007); and

assuming maximum conversions and Endeavor consummate the Lim Buyout this presentation assumes stockholders of Endeavor owning approximately 19.99% of the stock sold in Endeavor s initial public offering seek conversion and Endeavor purchases all of Mr. Lim s equity interest in the American Apparel companies using a portion of the trust fund (estimated at $66,016,438 assuming the acquisition closes on October 31, 2007).

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**SELECTED UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET**

**ASSUMING LIM BUYOUT AFFECTED BY MR. CHARNEY**

**June 30, 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 | $ 127,729 | $ 175,220 | $ 18,339 | $ 17,246 | $ (10,557) | $ 309,638 | $ (25,452) | $ 284,186 |
| Current liabilities | 805 | 55,231 | 9,845 | 9,258 | (11,240) | 54,054 | | 54,054 |
| Long-term debt, net of current portion | | 93,002 | 5,226 | 4,915 | | 97,917 | | 97,917 |
| Capital lease obligations, net of current position | | 2,742 | | | | 2,742 | | 2,742 |
| Deferred rent | | 7,454 | 935 | 879 | | 8,333 | | 8,333 |
| Total stockholders equity | 126,924 | 16,791 | 2,333 | 2,194 | 683 | 146,592 | (25,452) | 121,140 |
| Total liabilities and stockholders equity | $ 127,729 | $ 175,220 | $ 18,339 | $ 17,246 | $ (10,557) | $ 309,638 | $ (25,452) | $ 284,186 |

*See Unaudited Pro Forma Condensed Combined Financial Statements.*

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**SELECTED UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS**

**ASSUMING LIM BUYOUT AFFECTED BY MR. CHARNEY**

**SIX MONTHS ENDED, JUNE 30, 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 | $ | $ 157,248 | $ 20,341 | $ 17,924 | $ (6,053) | $ 169,119 |
| Cost of goods sold | | 70,770 | 6,960 | 6,133 | (5,850) | 71,053 |
| Gross profit | | 86,478 | 13,381 | 11,791 | (203) | 98,066 |
| Selling, general and administrative | 514 | 69,304 | 11,970 | 10,548 | 1,762 | 78,604 |
| Income (loss) from operations | (514) | 17,174 | 1,411 | 1,243 | 1,559 | 19,462 |
| Interest and other (income) expense | (2,152) | 8,252 | 742 | 653 | 1,242 | 7,995 |
| Income before income taxes | 1,638 | 8,922 | 669 | 590 | 317 | 11,467 |
| Income tax provision (benefit) | | 2,674 | 396 | 348 | (105) | 2,917 |
| Net income | 1,638 | 6,248 | 273 | 242 | 422 | 8,550 |
| Accretion of trust fund, relating to Common Stock subject to possible conversion | 430 | | | | (430) | |
| Net income available to common stockholders | $ 1,208 | $ 6,248 | $ 273 | $ 242 | $ 852 | $ 8,550 |

*See Unaudited Pro Forma Condensed Combined Financial Statements.*

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**SELECTED UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS**

**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 | 12,528 | 11,042 | (10,790) | 138,637 |
| Gross profit | | 126,306 | 22,130 | 19,504 | (182) | 145,628 |
| 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 | 1,174 | 1,809 | 11,182 |
| 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) | 3 | 1,335 | 271 | 239 | (2,236) | (659) |
| Net income (loss) | 2,870 | (1,624) | (89) | (79) | 1,012 | 2,179 |
| 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) | $ 1,806 | $ 2,179 |

*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**

**JUNE 30, 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 | $ 127,729 | $ 175,220 | $ 18,339 | $ 17,246 | $ (76,573) | $ 243,622 | $ (25,452) | $ 218,170 |
| Current Liabilities | 805 | 55,231 | 9,845 | 9,258 | (11,240) | 54,054 | | 54,054 |
| Long-term debt, net of current portion | | 93,002 | 5,226 | 4,915 | | 97,917 | | 97,917 |
| Capital lease obligations, net of current position | | 2,742 | | | | 2,742 | | 2,742 |
| Deferred rent | | 7,454 | 935 | 879 | | 8,333 | | 8,333 |
| Total stockholders equity | 126,924 | 16,791 | 2,333 | 2,194 | (65,333) | 80,576 | (25,452) | 55,124 |
| Total liabilities and stockholders equity | $ 127,729 | $ 175,220 | $ 18,339 | $ 17,246 | $ (76,573) | 243,622 | $ (25,452) | $ 218,170 |

*See Unaudited Pro Forma Condensed Combined Financial Statements.*

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**SELECTED UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS**

**ASSUMING LIM BUYOUT AFFECTED BY ENDEAVOR**

**SIX MONTHS ENDED JUNE 30, 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 | $ | $ 157,248 | $ 20,341 | $ 17,924 | $ (6,053) | $ 169,119 |
| Cost of goods sold | | 70,770 | 6,960 | 6,133 | (5,850) | 71,053 |
| Gross profit | | 86,478 | 13,381 | 11,791 | (203) | 98,066 |
| Selling, general and administrative | 514 | 69,304 | 11,970 | 10,548 | 1,762 | 78,604 |
| Income (loss) from operations | (514) | 17,174 | 1,411 | 1,243 | 1,559 | 19,462 |
| Interest and other (income) expense | (2,152) | 8,252 | 742 | 653 | 1,242 | 7,995 |
| Income before income taxes | 1,638 | 8,922 | 669 | 590 | 317 | 11,467 |
| Income tax provision (benefit) | | 2,674 | 396 | 348 | (105) | 2,917 |
| Net income | 1,638 | 6,248 | 273 | 242 | 422 | 8,550 |
| Accretion of trust fund, relating to Common Stock subject to possible conversion | 430 | | | | (430) | |
| Net income available to common stockholders | $ 1,208 | $ 6,248 | $ 273 | $ 242 | $ 852 | $ 8,550 |

*See Unaudited Pro Forma Condensed Combined Financial Statements.*

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**SELECTED UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS**

**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 | 12,528 | 11,042 | (10,790) | 138,637 |
| Gross profit | | 126,306 | 22,130 | 19,504 | (182) | 145,628 |
| 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 | 1,174 | 1,809 | 11,182 |
| 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) | 3 | 1,335 | 271 | 239 | (2,236) | (659) |
| Net income (loss) | 2,870 | (1,624) | (89) | (79) | 1,012 | 2,179 |
| 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) | $ 1,806 | $ 2,179 |

*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 | | | | 43,651 |
| Assuming maximum conversions and Endeavor affects Lim Buyout | | | | 40,418 |
| **Book value historical June 30, 2007** | $ 16,791 | $ 2,194 | $ 126,924 | |
| **Book value pro forma at June 30, 2007:** | | | | |
| Assuming no conversions and Mr. Charney affects Lim Buyout | | | | $ 146,592 |
| Assuming maximum conversions and Mr. Charney affects Lim Buyout | | | | $ 121,140 |
| Assuming no conversions and Endeavor affects Lim Buyout | | | | $ 80,576 |
| Assuming maximum conversions and Endeavor affects Lim Buyout | | | | $ 55,124 |
| **Earnings per share historical six months ended June 30, 2007** | | | $ 0.06 | |
| **Earnings per share historical year ended December 31, 2006** | | | $ 0.10 | |
| **Earnings per share pro forma six months ended June 30, 2007:** | | | | |
| Assuming no conversions and Mr. Charney affects Lim Buyout basic and diluted | | | | $ 0.16 |
| Assuming no conversions and Endeavor affects Lim Buyout basic and diluted | | | | $ 0.20 |
| Assuming maximum conversions and Mr. Charney affects Lim Buyout basic and diluted | | | | $ 0.17 |
| Assuming maximum conversions and Endeavor affects Lim Buyout basic and diluted | | | | $ 0.21 |
| **Earnings per share pro forma year ended December 31, 2006:** | | | | |
| 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 | | | | $ 0.05 |
| 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 | | | | $ 0.05 |

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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.

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**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

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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

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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 approximately 56% of total sales for the year ended December 31, 2006 and approximately 52% of total sales for the six months ended June 30, 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 were approximately 7% of sales for the year ending December 31, 2006 and are 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 June 30, 2007, American Apparel had aggregate indebtedness of approximately $117.5 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. On July 2, 2007, American Apparel obtained an additional $10 million secured debt financing with the same private investment firm which provided $41 million in financing under a term loan agreement in January 2007. On July 2, 2007 American Apparel also replaced its secured revolving credit facility of $62,500,000 with an increased revolving credit facility of $75 million from a new bank, which expires the earlier of July 2, 2012 or thirty days prior to maturity date of the loan agreement with the private investment firm (January 18, 2009) unless it is refinanced on terms acceptable to the bank in December 2008.

**American Apparel is currently being audited by government tax agencies regarding its operating activities in previous periods which may result in an assessment of a material amount, the payment of which may adversely impact American Apparel s financial conditions and operations.**

As of July 31, 2007, American Apparel is being audited by Federal and State agencies in regards to sales and income taxes for certain previous years. At this time, no assessments have been issued and American Apparel cannot quantify what impact these audits may have, if any. Therefore no provisions have been set up in the accounts of American Apparel.

**Endeavor s financial statements contain a statement indicating that its ability to continue as a going concern is dependent on consummation of the acquisition.**

As of March 14, 2007, Endeavor s cash and working capital were insufficient to fund its operations for the next 12 months. The report of its independent registered public accounting firm on the financial statements includes an explanatory paragraph stating that the 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.

**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.

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**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.

**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.

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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 $66,016,438, assuming a close date of October 31, 2007, and will reduce the number of shares of Endeavor common stock issued to Mr. Charney by approximately 8,518,250. 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.

**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

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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.

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 for excess inventory in connection with American Apparel s December 31, 2006 inventory valuation. 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

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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

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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 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 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;

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

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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.**

**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.

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**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.

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## 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 $66,016,438 as of October 31, 2007), Mr. Charney will own approximately 54.4% of the outstanding Endeavor common stock and the current stockholders of Endeavor will own approximately 45.6% 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 $66,016,438 as of October 31, 2007), Mr. Charney will own approximately 58.7% of the outstanding Endeavor common stock and the current stockholders of Endeavor will own approximately 41.3% 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 June 30, 2007, the trust account had $127,262,006 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:

- audited 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

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Urban Outfitters

Zumez

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 at least $122 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 $97.6 million.

As described above, the board valued American Apparel in a range of approximately $408 million to $684 million based on its comparable company analysis and significant transaction experience. This value substantially exceeds the $97.6 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**

Endeavor measures, in part, American Apparel s growth in terms of EBITDA as adjusted for certain mutually agreed upon items as previously discussed which, includes 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 December 31, 2006 inventory valuation. Similar adjustments were utilized in connection with calculations of American Apparel s pro forma adjusted EBITDA for the six months ended June 30, 2007. The pro forma adjusted EBITDA calculations, including the specific adjustments made to derive such calculations, are set forth in the tables below.

*Q2 2007 Pro Forma Adjusted EBITDA as Compared to Q2 2006 Pro Forma Adjusted EBITDA*

American Apparel had growth in EBITDA of approximately 81.1% from EBITDA of approximately $14.3 million in the first six months of 2006 to EBITDA of approximately $25.9 million in the first six months of 2007. Allowing for the non-cash, non-recurring items and other adjustments described above and set forth in the tables below, American Apparel had growth in pro forma adjusted EBITDA of approximately 68.3% from pro forma adjusted EBITDA of approximately $16.4 million in the first six months of 2006 to pro forma adjusted EBITDA of approximately $27.6 million in the first six 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 29.8% from EBITDA of approximately $18.8 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 33.3% from pro forma adjusted EBITDA of approximately $24.3 million in 2005 to pro forma adjusted EBITDA of approximately $32.4 million in 2006.

*2005 Pro Forma Adjusted EBITDA as Compared to 2004 Pro Forma Adjusted EBITDA*

American Apparel had growth in EBITDA of approximately 40.3% from EBITDA of approximately $13.4 million in 2004 to EBITDA of approximately $18.8 million in 2005. 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 64.2% from pro forma adjusted EBITDA of approximately $14.8 million in 2004 to pro forma adjusted EBITDA of approximately $24.3 million in 2005.

*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 (loss), the most directly comparable GAAP financial measure, on a historical basis, for the periods presented:

| | Six Months Ended June 30, | | Year Ended December 31, | | |
|---|---|---|---|---|---|
| | 2007 (unaudited) | 2006 (unaudited) | 2006 (unaudited) | 2005 (unaudited) | 2004 (unaudited) |
| Net income (loss) | $ 6,286 | $ 1,836 | $ (1,884) | $ 3,253 | $ 6,223 |
| Income taxes | 3,022 | 428 | 1,574 | 506 | 1,074 |
| Interest expense | 8,750 | 5,484 | 11,811 | 6,788 | 2,192 |
| Depreciation and amortization | 6,051 | 5,348 | 10,903 | 6,311 | 2,496 |
| Related-party management fee | 1,762 | 1,168 | 2,045 | 1,896 | 1,394 |
| **EBITDA** | $ 25,871 | $ 14,264 | $ 24,449 | $ 18,754 | $ 13,379 |
| **Add-backs in non-cash/non-recurring items:** | | | | | |
| Deferred rent | $ 858 | $ 1,124 | $ 2,093 | $ 3,781 | $ 1,424 |
| Litigation expense | | 844 | 1,120 | 1,196 | |
| Total add-backs | 858 | 1,968 | 3,213 | 4,977 | 1,424 |
| **Adjusted EBITDA** | $ 26,729 | $ 16,232 | $ 27,662 | $ 23,731 | $ 14,803 |
| **Exclusions allowed under terms of acquisition:** | | | | | |
| Workers compensation adjustment | $ | $ | $ 550 | $ | $ |
| Inventory obsolescence | | | 3,454 | 600 | |
| Business combination expenses not capitalized | 852 | | | | |
| Total exclusions | $ 852 | $ | $ 4,004 | $ 600 | $ |
| **Adjusted EBITDA with exclusions** | $ 27,581 | $ 16,232 | $ 31,666 | $ 24,331 | $ 14,803 |
| **Additional add-backs:** | | | | | |
| Legal fees related to abandoned financing attempts | $ | $ 154 | $ 277 | $ | $ |
| Accounting fees related to abandoned financing attempts | | | 138 | | |
| Financial consulting fees related to senior debt defaults | | | 287 | | |
| Total add-backs | $ | $ 154 | $ 702 | $ | $ |

| | | | | | |
|---|---|---|---|---|---|
| **Pro Forma Adjusted EBITDA** | $ 27,581 | $ 16,386 | $ 32,368 | $ 24,331 | $ 14,803 |

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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 (loss), the most directly comparable GAAP financial measure, on a historical basis, for the periods presented:

| | Six Months Ended June 30, | | Year Ended December 31, | | |
|---|---|---|---|---|---|
| | 2007 (unaudited) | 2006 (unaudited) | 2006 (unaudited) | 2005 (unaudited) | 2004 (unaudited) |
| Net income (loss) | $ 6,248 | $ 2,024 | $ (1,624) | $ 3,583 | $ 6,323 |
| Income taxes | 2,674 | 392 | 1,335 | 392 | 1,019 |
| Interest expense | 8,096 | 5,042 | 10,797 | 6,258 | 1,928 |
| Depreciation and amortization | 5,265 | 4,635 | 9,430 | 5,370 | 2,206 |
| **EBITDA** | $ 22,283 | $ 12,093 | $ 19,938 | $ 15,603 | $ 11,476 |
| **Add-backs for non-cash/non-recurring items:** | | | | | |
| Deferred rent | $ 800 | $ 1,018 | $ 1,771 | $ 3,510 | $ 1,365 |
| Litigation expenses | | 844 | 1,120 | 1,196 | |
| Total add-backs | 800 | 1,862 | 2,891 | 4,706 | 1,365 |
| **Adjusted EBITDA** | $ 23,083 | $ 13,955 | $ 22,829 | $ 20,309 | $ 12,841 |
| **Exclusions allowed under terms of acquisition:** | | | | | |
| Workers compensation adjustment | $ | $ | $ 550 | $ | $ |
| Inventory obsolescence | | | 3,454 | 600 | |
| Business combination expenses not capitalized | 852 | | | | |
| Total exclusions | $ 852 | $ | $ 4,004 | $ 600 | $ |
| Cap | $ 5,000 | $ 5,000 | $ 5,000 | $ | $ |
| Lesser of exclusions or cap | $ 852 | $ | $ 4,004 | $ 600 | $ |
| **Adjusted EBITDA with exclusions** | $ 23,935 | $ 13,955 | $ 26,833 | $ 20,909 | $ 12,841 |
| **Additional add-backs:** | | | | | |
| Legal fees related to abandoned financing attempts | $ | $ 154 | $ 277 | $ | $ |
| Accounting fees related to abandoned financing attempts | | | 138 | | |
| Financing consulting fees related to senior debt defaults | | | 287 | | |
| Total add-backs | $ | $ 154 | $ 702 | $ | $ |
| **Pro Forma Adjusted EBITDA** | $ 23,935 | $ 14,109 | $ 27,535 | $ 20,909 | $ 12,841 |

*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:

| | Six Months Ended June 30, | | | |
|---|---|---|---|---|
| | 2007 CDN $ | 2007 USD $ (a) | 2006 CDN $ | 2006 USD $ (a) |

| | (unaudited) | (unaudited) | (unaudited) | (unaudited) |
|---|---|---|---|---|
| Net income | $ 273 | $ 242 | $ 48 | $ 42 |
| Income taxes | 396 | 348 | 41 | 36 |
| Interest expense | 742 | 654 | 503 | 442 |
| Depreciation and amortization | 892 | 786 | 812 | 713 |
| Related party management fee | 2,000 | 1,762 | 1,329 | 1,168 |
| **EBITDA** | $ 4,303 | $ 3,792 | $ 2,733 | $ 2,401 |
| **Add-backs for non-cash/non-recurring items:** | | | | |
| Deferred rent | $ 66 | $ 58 | $ 121 | $ 106 |
| Litigation expenses | | | | |
| Total add-backs | 66 | 58 | 121 | 106 |
| **Adjusted EBITDA** | $ 4,369 | $ 3,850 | $ 2,854 | $ 2,507 |
| **Exclusions allowed under terms of acquisition:** | | | | |
| Workers compensation adjustment | $ | $ | $ | $ |
| Inventory obsolescence | | | | |
| Total exclusions | $ | $ | $ | $ |
| Cap | $ | $ | $ | $ |
| Less of exclusions or cap | $ | $ | $ | $ |
| **Pro Forma Adjusted EBITDA** | $ 4,369 | $ 3,850 | $ 2,854 | $ 2,507 |

(a) Canadian dollars presented as of June 30, 2007 and 2006 were converted at an exchange rate of $0.9404 and $0.8969, respectively. Canadian dollars presented for the six months ended June 30, 2007 and 2006 were converted at an exchange rate of $0.8812 and $0.8784, respectively.

The following table presents a calculation of the CI companies pro forma adjusted EBITDA and reconciliation to their net (loss) 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 $ (a) (unaudited) | 2005 CDN $ (unaudited) | 2005 USD $ (a) (unaudited) | 2004 CDN $ (unaudited) | 2004 USD $ (a) (unaudited) |
| Net (loss) income | $ (89) | $ (78) | $ (7) | $ (6) | $ 111 | $ 85 |
| Income taxes | 271 | 239 | 138 | 114 | 71 | 55 |
| Interest expense | 1,151 | 1,014 | 642 | 530 | 343 | 264 |
| Depreciation and amortization | 1,671 | 1,473 | 1,146 | 941 | 378 | 290 |
| Related party management fee | 2,320 | 2,045 | 2,298 | 1,896 | 1,814 | 1,394 |
| **EBITDA** | $ 5,324 | $ 4,693 | $ 4,217 | $ 3,475 | $ 2,717 | $ 2,088 |
| Add-backs for non-cash/non-recurring items: | | | | | | |
| Deferred rent | $ 366 | $ 322 | $ 328 | $ 271 | $ 77 | $ 59 |
| Litigation expenses | | | | | | |
| Total add-backs | 366 | 322 | 328 | 271 | 77 | 59 |
| **Adjusted EBITDA** | $ 5,690 | $ 5,015 | $ 4,545 | $ 3,746 | $ 2,794 | $ 2,147 |
| **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 | $ 5,015 | $ 4,545 | $ 3,746 | $ 2,794 | $ 2,147 |

(a) Canadian dollars presented as of December 31, 2006, 2005 and 2004 were converted at an exchange rate of $0.8590, $0.8576 and 0.8319, respectively. Canadian dollars presented for the twelve months ended December 31, 2006, 2005 and 2004 were converted at an exchange rate of $0.8813, $0.8103 and $0.77014, 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.

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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 F. 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;

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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;

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

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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.

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

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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.

*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

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***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

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.

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*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 |

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

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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.

*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.

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**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 I*. 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.

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The tax opinion issued to Endeavor by Graubard Miller, its counsel, is attached to this proxy statement as Annex I. 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 American Apparel 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 October 31, 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 23,739,815 and Endeavor would pay Mr. Lim $66,016,438.

**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 $66,016,438 as of October 31, 2007), Mr. Charney will own approximately 54.4% of the outstanding Endeavor common stock and the current stockholders of Endeavor will own approximately 45.6% 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 $66,016,438 as of October 31, 2007), Mr. Charney will own approximately 58.7% of the outstanding Endeavor common stock and the current stockholders of Endeavor will own approximately 41.3% of the outstanding common stock of Endeavor immediately following the closing.

**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 G*.

**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 J*. 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, will enter into a voting agreement immediately prior to closing of the acquisition. The voting agreement will provide 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 form of voting agreement is attached to this proxy statement as *Annex E*. We encourage you to read the voting agreement in its entirety.

Immediately upon the consummation of the acquisition, the directors of Endeavor will be Messrs. Charney, Robert Greene, Mark Klein, Adrian Kowalewski, Allan Mayer, Keith Miller, Mark Samson, Mortimer Singer and Mark Thornton. 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 2010 as follows:

in the class to stand for reelection in 2008 Messrs. Greene, Miller and Mayer.

- in the class to stand for reelection in 2009 Messrs. Kowalewski, Klein and Singer.
- in the class to stand for reelection in 2010 Messrs. Charney, Samson and Thornton.

Endeavor s directors do not currently receive any cash compensation for their services as members of the board of directors. Our non-employee directors will receive annual stock grants to purchase that number of shares of our common stock having an aggregate market value of $75,000 at the time of grant, with the first grant being made at the closing of the proposed acquisition and on each anniversary of service thereafter. Non-employee directors also will receive $1,000 for each board and committee meeting attended and shall be reimbursed for travel expenses incurred in connection with attending these meetings.

**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 H*. 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.

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**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;

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;

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;

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;

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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.

**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.

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*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;

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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

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;

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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), (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 inventory valuation for the year ended December 31, 2006.

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;

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- 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.

**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 June 30, 2007, giving effect to the transactions described in the Acquisition Agreement as if they had occurred on June 30, 2007. The following unaudited pro forma condensed combined statements of operations combine Endeavor s historical statement of operations for the six months ended June 30, 2007 and the year ended December 31, 2006 with those of AAI and the CI companies for the six months ended June 30, 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 October 31, 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 23,739,815 and Endeavor would pay Mr. Lim $66,016,438.

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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 approximately 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 $25.5 million as of June 30, 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 approximately 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 $66,016,438 assuming a closing on October 31, 2007); and

- assuming maximum conversions and Endeavor consummate the Lim Buyout this presentation assumes that stockholders of Endeavor owning approximately 19.99% of the stock sold in Endeavor s initial public offering seek conversion and Endeavor purchases all of Mr. Lim s equity interest in the American Apparel companies using a portion of the trust fund (estimated at $66,016,438 assuming a closing on October 31, 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**

**JUNE 30, 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 | $ 60 | $ 5,632 | $ 252 | $ 237 | 8,13 | $ 110,889 | $ 116,818 | $ (25,452) | $ 91,366 |
| Cash held in Trust Fund | 127,262 | | | | 6,7,8 | (127,262) | | | |
| Accounts receivable | | 19,892 | 1,881 | 1,769 | | | 21,661 | | 21,661 |
| Due from U.S. Affiliate | | | 1,135 | 1067 | 4 | (1067) | | | |
| Prepaid expenses and other current assets | 73 | 2,291 | 110 | 103 | | | 2,467 | | 2,467 |
| Inventories, net | | 89,893 | 8,306 | 7,812 | 5 | (203) | 97,502 | | 97,502 |
| Deferred tax asset | | 336 | 93 | 87 | 10 | 4,402 | 4,825 | | 4,825 |
| Total current assets | 127,395 | 118,044 | 11,777 | 11,075 | | (13,241) | 243,273 | (25,452) | 217,821 |
| **Property and equipment,** net | 3 | 44,626 | 6,004 | 5,646 | | | 50,275 | | 50,275 |
| **Deferred tax asset** | | | 334 | 314 | 10 | 3,084 | 3,398 | | 3,398 |
| **Intangible assets,** net | | 3,155 | | | 14 | (400) | 2,755 | | 2,755 |
| **Goodwill** | | 950 | | | | | 950 | | 950 |
| **Other assets** | 331 | 8,445 | 224 | 211 | | | 8,987 | | 8,987 |
| **Total assets** | $ 127,729 | $ 175,220 | $ 18,339 | $ 17,246 | | $ (10,557) | $ 309,638 | $ (25,452) | $ 284,186 |

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**UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET**

**ASSUMING LIM BUYOUT AFFECTED BY MR. CHARNEY (continued)**

**JUNE 30, 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 | $ | $ 4,350 | $ | $ | | $ | $ 4,350 | $ | $ 4,350 |
| Current portion of long-term debt | 325 | 12,140 | 5,317 | 5,000 | 6 | (10,173) | 7,292 | | 7,292 |
| Accounts payable | | 18,200 | 1,345 | 1,265 | | | 19,465 | | 19,465 |
| Accrued expenses | 480 | 13,219 | 3,110 | 2,924 | | | 16,623 | | 16,623 |
| Due to Canadian Affiliate | | 1,067 | | | 4 | (1,067) | | | |
| Income taxes payable | | 3,203 | 53 | 50 | | | 3,253 | | 3,253 |
| Current portion of capital lease obligations | | 3,052 | 20 | 19 | | | 3,071 | | 3,071 |
| Total current liabilities | 805 | 55,231 | 9,845 | 9,258 | | (11,240) | 54,054 | | 54,054 |
| **Long-term debt,** net of current portion | | 93,002 | 5,226 | 4,915 | | | 97,917 | | 97,917 |
| **Capital lease obligations,** net of current position | | 2,742 | | | | | 2,742 | | 2,742 |
| **Deferred rent** | | 7,454 | 935 | 879 | | | 8,333 | | 8,333 |
| **Total liabilities** | 805 | 158,429 | 16,006 | 15,052 | | (11,240) | 163,046 | | 163,046 |
| **Stockholders equity** | | | | | | | | | |
| Common stock, subject to possible conversion | 25,452 | | | | 13 | | 25,452 | (25,452) | |
| Common stock and additional paid-in capital | 96,910 | 5,706 | 939 | 883 | 5,7,9,10,14 | 15,894 | 119,393 | | 119,393 |
| Due from stockholders | | (616) | | | 7 | 616 | | | |
| Accumulated other comprehensive income (loss) | | 436 | | | | | 436 | | 436 |
| Retained earnings | 4,562 | 11,265 | 1,394 | 1,311 | 10 | (15,827) | 1,311 | | 1,311 |
| **Total stockholders equity** | 126,924 | 16,791 | 2,333 | 2,194 | | 683 | 146,592 | (25,452) | 121,140 |
| **Total liabilities and stockholders equity** | $ 127,729 | $ 175,220 | $ 18,339 | $ 17,246 | | $ (10,557) | $ 309,638 | $ (25,452) | $ 284,186 |

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**UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS**

**AND PER SHARE DATA**

**ASSUMING LIM BUYOUT AFFECTED BY MR. CHARNEY**

**SIX MONTHS ENDED, JUNE 30, 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 Forma Adjustment No Conversion USD $ | Pro Forma Combined No Conversion USD $ |
|---|---|---|---|---|---|---|---|
| **Net sales** | $ | $ 157,248 | $ 20,341 | $ 17,924 | 15 | $ (6,053) | $ 169,119 |
| **Cost of sales** | | 70,770 | 6,960 | 6,133 | 15 | (5,850) | 71,053 |
| Gross profit | | 86,478 | 13,381 | 11,791 | | (203) | 98,066 |
| **Selling, general and administrative** | 514 | 69,304 | 11,970 | 10,548 | 16 | (1,762) | 78,604 |
| Income (loss) from operations | (514) | 17,174 | 1,411 | 1,243 | | (1,559) | 19,462 |
| **Interest and other (income) expense** | | | | | | | |
| Interest expense | | 8,096 | 742 | 653 | 16 | (910) | 7,839 |
| Foreign currency (gain) loss | | 223 | | | | | 223 |
| Other (income) expense | | (67) | | | | | (67) |
| Dividend income | (2,152) | | | | 16 | 2,152 | |
| | (2,152) | 8,252 | 742 | 653 | | 1,242 | 7,995 |
| **Income (loss) before income taxes** | 1,638 | 8,922 | 669 | 590 | | 317 | 11,467 |
| **Income tax provision (benefit)** | | 2,674 | 396 | 348 | | (105) | 2,917 |
| **Net income (loss)** | 1,638 | 6,248 | 273 | 242 | | 422 | 8,550 |
| **Accretion of trust fund, relating to Common Stock** | | | | | | | |
| subject to possible conversion | 430 | | | | 16 | (430) | |
| **Net income (loss) available to common stockholders** | $ 1,208 | $ 6,248 | $ 273 | $ 242 | | $ 852 | $ 8,550 |
| **Pro Forma Combined No Conversion** | | | | | | | |
| **Weighted average number of shares** | 19,910,745 | | | | 11 | 32,258,065 | 52,168,810 |
| **Basic and diluted net income per share** | $ 0.06 | | | | | | $ 0.16 |
| **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** | | | | | 12 | (1,212,903) | 50,955,907 |

| | | | | |
|---|---|---|---|---|
| **Basic and diluted net income per share** | | | $ | 0.17 |
| **Pro Forma Combined Maximum Conversion** | 13 | (3,232,148) | | 47,723,759 |
| **Weighted average Number of Shares** | | | | |
| **Basic and diluted net income per share** | | | $ | 0.18 |

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**NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS**

**ASSUMING LIM BUYOUT AFFECTED BY MR. CHARNEY**

**JUNE 30, 2007**

**(in thousands of dollars)**

Note 1 Derived from the unaudited financial statements of Endeavor Acquisition Corp. as of June 30, 2007.

Note 2 Derived from the unaudited consolidated financial statements of American Apparel, Inc. as of June 30, 2007.

Note 3 Derived from the unaudited combined financial statements of The American Apparel Group of Canada as of June 30, 2007. Canadian dollars converted to US dollars Average rate of $0.8812 for the pro forma statement of operations and the actual rate on June 30, 2007 of $0.9404 for the pro forma balance sheet.

**AS OF JUNE 30, 2007:**

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 | $ 1,067 |
| Decrease | Due to Canadian Affiliate | 1,067 |

Note 5 Reflects the Inter-Company profit in the ending inventory of The American Apparel Group of Canada as of June 30, 2007.

| | | |
|---|---|---|
| Decrease | Inventory | $ 203 |

Note 6 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, $4,189) and unrelated party ($5,624) notes payable.

| | | |
|---|---|---|
| Decrease | Cash held in trust fund | $ 10,173 |
| Decrease | Current portion of long-term debt | 10,173 |

Note 7 To reflect certain distributions to stockholders of American Apparel, Inc., a subchapter S corporation, in connection with income taxes as prescribed by the Acquisition Agreement.

| | | |
|---|---|---|
| Decrease | Cash held in trust fund | $ 6,200 |
| Decrease | Common Stock and additional paid in capital | 6,816 |
| Decrease | Due from stockholders | 616 |

Note 8 Reclass cash held in trust

| | | |
|---|---|---|
| Decrease | Cash held in trust fund | $ 110,889 |
| increase | Cash and cash equivalents | 110,889 |

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**NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS**

**ASSUMING LIM BUYOUT AFFECTED BY MR. CHARNEY**

**JUNE 30, 2007 (Continued)**

**(in thousands of dollars)**

Note 9 To record deferred tax asset as a result of a change in tax status from Sub Chapter S Corporation to a C Corporation as of June 30, 2007.

| | | | |
|---|---|---|---|
| Increase | Common stock and additional paid in capital | $ | 7,486 |
| Increase | Deferred tax asset Long term | | 3,084 |
| Increase | Deferred tax asset Current | | 4,402 |

Note 10 To record stock recapitalization upon consummation of the acquisition

| | | | |
|---|---|---|---|
| Increase | Common stock and additional paid-in capital | $ | 15,827 |
| Decrease | Retained earnings | | 15,827 |

Note 11 To record stock issued to Mr. Charney for 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 and/or if Mr. Charney fails to consummate the Lim Buyout.

Note 12 To record stock reduction to Mr. Charney due to the excess debt limit of $110,000 calculated as follows:

| | | |
|---|---|---|
| Total Interest Bearing Indebtedness at June 30, 2007 | $ | 119,400 |
| Maximum allowed under the agreement | | 110,000 |
| Excess | | 9,400 |
| Factor | | 7.75 |
| Share Reduction | | 1,212,903 |

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, 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 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, there shall be no reduction.

**Assuming maximum conversions:**

Note 13 To record maximum conversion of approximately 19.99% of outstanding shares (3,232,148 shares)

| | | | |
|---|---|---|---|
| Decrease | Common Stock, subject to possible conversion | $ | 25,452 |
| Decrease | Cash and cash equivalents | | 25,452 |

Note 14 To reclass deferred merger costs upon acquisition

| | | | |
|---|---|---|---|
| Decrease | Intangible Assets | | 400 |
| Decrease | Common stock and additional paid in capital | | 400 |

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**NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS**

**ASSUMING LIM BUYOUT AFFECTED BY MR. CHARNEY**

**JUNE 30, 2007 (Continued)**

**(in thousands of dollars)**

**FOR THE SIX MONTHS ENDED JUNE 30, 2007**

Note 15 Reflects the elimination of sales and cost of sales between American Apparel, Inc. and The American Apparel Group of Canada.

| | | |
|---|---|---|
| Decrease | Net sales | $ 6,053 |
| Decrease | Cost of sales | 5,850 |

Note 16 To eliminate, effective January 1, 2007, dividend income earned on cash held in trust fund, interest expense on long-term indebtedness paid off, management fees paid to a related party and the accretion of trust fund relating to common stock.

| | | |
|---|---|---|
| Decrease | Dividend income | $ 2,152 |
| Decrease | Interest expense | 910 |
| Decrease | Accretion of trust fund, relating to common stock | 430 |
| Decrease | Management fee | 1,762 |

Note 17 To record additional tax provision as a result of a change in tax status from Sub Chapter S Corporation to a C Corporation for the six months ended June 30, 2007.

| | | |
|---|---|---|
| Increase | Income Tax Provision (Benefit) | $ (105) |

**Additional Consideration:**

Following the consummation of the acquisition, Endeavor will pay and expense as part of its operations 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 | 12,528 | 11,042 | 4 | (10,790) | 138,637 |
| Gross profit | | 126,306 | 22,130 | 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 | (2,236) | (659) |
| **Net income (loss)** | 2,870 | (1,624) | (89) | (79) | | 1,012 | 2,179 |
| **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) | | $ 1,806 | $ 2,179 |
| **Pro Forma Combined No Conversion:** | | | | | | | |
| **Weighted average number of shares** | 19,910,745 | | | | 7 | 32,258,065 | 52,168,810 |
| **Basic and diluted net income per share** | $ 0.10 | | | | | | $ 0.04 |
| **Pro Forma Combined Maximum Conversion:** | | | | | | | |
| **Weighted average number of shares** | | | | | 8 | (3,232,148) | 48,936,662 |

| | | |
|---|---|---|
| **Basic and diluted net income percentage** | $ | 0.04 |

**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 statement of operations of Endeavor Acquisition Corp. for the year ending December 31, 2006.

Note 2 Derived from the audited consolidated statement of operations of American Apparel, Inc. for the year ending December 31, 2006.

Note 3 Derived from the combined audited statement of operations of The American Apparel Group of Canada for the year ending December 31, 2006. Canadian dollars converted to US dollars at an average rate of $0.8813.

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, effective January 1, 2006, dividend income earned on cash held in trust fund, interest expense on long-term indebtedness paid off, management fees paid to a related party and accretion of trust fund relating to common stock

| | | |
|---|---|---|
| Decrease | Dividend income | $ 3,974 |
| Decrease | Interest expense | 941 |
| Decrease | Accretion of trust fund, relating to common stock | 794 |
| Decrease | Management fee | 1,991 |

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

| | | |
|---|---|---|
| Increase | Income tax provision (Benefit) | $ (2,236) |

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 and/or if Mr. Charney fails to consummate the Lim Buyout.

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, 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 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, there shall be no reduction. As of December 31, 2006 American Apparel s net debt was below $110,000.

**Assuming Buyout of Sam Lim and maximum conversions:**

Note 8 To record maximum conversion of approximately 19.99% of outstanding shares (3,232,148 shares purchased)

**Additional Consideration:**

Following the consummation of the acquisition, Endeavor will pay and expense as part of its operations 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**

**June 30, 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 | $ 60 | $ 5,632 | $ 252 | $ 237 | 8,13 | $ 44,873 | $ 50,802 | $ (25,452) | $ 25,350 |
| Cash held in Trust Fund | 127,262 | | | | 6,7,8,11 | (127,262) | | | |
| Accounts receivable | | 19,892 | 1,881 | 1,769 | | | 21,661 | | 21,661 |
| Due from U.S. Affiliate | | | 1,135 | 1,067 | 4 | (1,067) | | | |
| Prepaid expenses and other current assets | 73 | 2,291 | 110 | 103 | | | 2,467 | | 2,467 |
| Inventories, net | | 89,893 | 8,306 | 7,812 | 5 | (203) | 97,502 | | 97,502 |
| Deferred tax asset | | 336 | 93 | 87 | 10 | 4,402 | 4,825 | | 4,825 |
| Total current assets | 127,395 | 118,044 | 11,777 | 11,075 | | (79,257) | 177,257 | (25,452) | 151,805 |
| **Property and equipment,** net | 3 | 44,626 | 6,004 | 5,646 | | | 50,275 | | 50,275 |
| **Deferred tax asset** | | | 334 | 314 | 10 | 3,084 | 3,398 | | 3,398 |
| **Intangible assets,** net | | 3,155 | | | 14 | (400) | 2,755 | | 2,755 |
| **Goodwill** | | 950 | | | | | 950 | | 950 |
| **Other assets** | 331 | 8,445 | 224 | 211 | | | 8,987 | | 8,987 |
| **Total assets** | $ 127,729 | $ 175,220 | $ 18,339 | $ 17,246 | | $ (76,573) | $ 243,622 | $ (25,452) | $ 218,170 |

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**UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET**

**ASSUMING LIM BUYOUT AFFECTED BY ENDEAVOR**

**JUNE 30, 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 $ | Pro Forma Combined Maximum Allowable Conversion USD $ |
|---|---|---|---|---|---|---|---|---|---|
| **Liabilities and stockholders equity** | | | | | | | | | |
| **Current liabilities** | | | | | | | | | |
| Cash overdraft | $ | $ 4,350 | $ | $ | | $ | $ 4,350 | $ | $ 4,350 |
| Current portion of long-term debt | 325 | 12,140 | 5,317 | 5,000 | 6 | (10,173) | 7,292 | | 7,292 |
| Accounts payable | | 18,200 | 1,345 | 1,265 | | | 19,465 | | 19,465 |
| Accrued expenses | 480 | 13,219 | 3,110 | 2,924 | | | 16,623 | | 16,623 |
| Due to Canadian Affiliate | | 1,067 | | | 4 | (1,067) | | | |
| Income taxes payable | | 3,203 | 53 | 50 | | | 3,253 | | 3,253 |
| Current portion of capital lease obligations | | 3,052 | 20 | 19 | | | 3,071 | | 3,071 |
| Total current liabilities | 805 | 55,231 | 9,845 | 9,258 | | (11,240) | 54,054 | | 54,054 |
| **Long-term debt,** net of current portion | | 93,002 | 5,226 | 4,915 | | | 97,917 | | 97,917 |
| **Capital lease obligations**, net of current position | | 2,742 | | | | | 2,742 | | 2,742 |
| **Deferred rent** | | 7,454 | 935 | 879 | | | 8,333 | | 8,333 |
| **Total liabilities** | 805 | 158,429 | 16,006 | 15,052 | | (11,240) | 163,046 | | 163,046 |
| **Stockholders equity** | | | | | | | | | |
| Common stock, subject to possible conversion | 25,452 | | | | 13 | | 25,452 | (25,452) | |
| Common stock and additional paid-in capital | 96,910 | 5,706 | 939 | 883 | 5,7,9,10,11,14 | (50,122) | 53,377 | | 53,377 |
| Due from stockholders | | (616) | | | 7 | 616 | | | |
| Accumulated other comprehensive income (loss) | | 436 | | | | | 436 | | 436 |
| Retained earnings | 4,562 | 11,265 | 1,394 | 1,311 | 10 | (15,827) | 1,311 | | 1,311 |
| **Total stockholders equity** | 126,924 | 16,791 | 2,333 | 2,194 | | (65,333) | 80,576 | (25,452) | 55,124 |
| **Total liabilities and stockholders equity** | $ 127,729 | $ 175,220 | $ 18,339 | $ 17,246 | | $ (76,573) | $ 243,622 | $ (25,452) | $ 218,170 |

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

**ASSUMING LIM BUYOUT AFFECTED BY ENDEAVOR**

**SIX MONTHS ENDED, JUNE 30, 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** | $ | $ 157,248 | $ 20,341 | $ 17,924 | 15 | $ (6,053) | $ 169,119 |
| **Cost of sales** | | 70,770 | 6,960 | 6,133 | 15 | (5,850) | 71,053 |
| Gross profit | | 86,478 | 13,381 | 11,791 | | (203) | 98,066 |
| **Selling, general and administrative** | 514 | 69,304 | 11,970 | 10,548 | 16 | (1,762) | 78,604 |
| Income (loss) from operations | (514) | 17,174 | 1,411 | 1,243 | | 1,559 | 19,462 |
| **Interest and other (income) expense** | | | | | | | |
| Interest expense | | 8,096 | 742 | 653 | 16 | 910 | 7,839 |
| Foreign currency (gain) loss | | 223 | | | | | 223 |
| Other (income) expense | | (67) | | | | | (67) |
| Dividend income | (2,152) | | | | 16 | (2,152) | |
| | (2,152) | 8,252 | 742 | 653 | | (1,242) | 7,995 |
| **Income (loss) before income taxes** | 1,638 | 8,922 | 669 | 590 | | 317 | 11,467 |
| **Income tax provision (benefit)** | | 2,674 | 396 | 348 | | (105) | 2,917 |
| **Net income (loss)** | 1,638 | 6,248 | 273 | 242 | | 422 | 8,550 |
| **Accretion of trust fund, relating to Common Stock** subject to possible conversion | 430 | | | | 16 | (430) | |
| **Net income (loss) available to common stockholders** | $ 1,208 | $ 6,248 | $ 273 | $ 242 | | $ 852 | $ 8,550 |
| **Pro Forma Combined No Conversion:** | | | | | | | |
| **Weighted average number of shares** | 19,910,745 | | | | 11 | 23,739,815 | 43,650,560 |
| **Basic and diluted net income per share** | $ 0.06 | | | | | | $ 0.20 |
| **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** | | | | | 12 | (1,212,903) | 42,437,657 |
| **Basic and diluted net income per share** | | | | | | | $ 0.20 |
| **Pro Forma Combined Maximum Conversion:** | | | | | | | |

| | | | | |
|---|---|---|---|---|
| **Weighted average number of shares** | 13 | (3,232,148) | | 39,205,509 |
| **Basic and diluted net income per share** | | | $ | 0.22 |

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**NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS**

**ASSUMING LIM BUYOUT AFFECTED BY ENDEAVOR**

**JUNE 30, 2007**

**(in thousands of dollars)**

Note 1 Derived from the unaudited financial statements of Endeavor Acquisition Corp. as of June 30, 2007.

Note 2 Derived from the unaudited consolidated financial statements of American Apparel, Inc. as of June 30, 2007.

Note 3 Derived from the unaudited combined financial statements of The American Apparel Group of Canada as of June 30, 2007. Canadian dollars converted to US dollars Average rate of $0.8812 and the actual rate on June 30, 2007 of $0.9404 for the pro forma balance sheet.

**AS OF JUNE 30 2007**

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 | $ 1,067 |
| Decrease | Due to Canadian Affiliate | 1,067 |

Note 5 Reflects the inter-company profit in the ending inventory of The American Apparel Group of Canada as of June 30, 2007.

| | | |
|---|---|---|
| Decrease | Inventory | $ 203 |

Note 6 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, $4,189) and unrelated party ($5,624) notes payable.

| | | |
|---|---|---|
| Decrease | Cash held in trust fund | $ 10,173 |
| Decrease | Current portion of long-term debt | 10,173 |

Note 7 To reflect certain distributions to stockholders of American Apparel, Inc., a subchapter S corporation, in connection with income taxes as prescribed by the acquisition agreement.

| | | |
|---|---|---|
| Decrease | Cash held in trust fund | $ 6,200 |
| Decrease | Common stock and additional paid in capital | 6,816 |
| Decrease | Due from stockholders | 616 |

Note 8 Reclass cash held in trust

| | | |
|---|---|---|
| Decrease | Cash held in trust fund | $ 44,873 |
| Increase | Cash and cash equivalents | 44,873 |

Note 9 To record deferred tax asset as a result of a change in from Sub Chapter S Corporation to a C Corporation as of June 30, 2007.

| | | |
|---|---|---|
| Increase | Deferred tax asset Long Term | $ 3,084 |
| Increase | Deferred tax asset Current | 4,402 |
| Increase | Common stock and additional paid in capital | 7,486 |

Note 10 To record recapitalization upon consummation of the acquisition.

| | | |
|---|---|---|
| Increase | Common stock and additional paid-in capital | $ 15,827 |
| Decrease | Retained earnings | 15,827 |

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**NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS**

**ASSUMING LIM BUYOUT AFFECTED BY ENDEAVOR**

**JUNE 30, 2007 (Continued)**

**(in thousands of dollars)**

Note 11 To record stock issued to Mr. Charney for the purchase of AAI and CI and Endeavor s buyout of Lim.

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 and/or if Mr. Charney fails to consummate the Lim Buyout. If the acquisition is consummated on June 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 23,739,815 and Endeavor would pay Mr. Lim $66,016.

| | | |
|---|---|---|
| Decrease | Common stock and additional paid in capital | 66,016 |
| Decrease | Cash and cash equivalents | 66,016 |

Note 12 To record stock reduction to Mr. Charney due to the excess debt limit of $110,000 calculated as follows:

| | |
|---|---|
| Total Interest Bearing Indebtedness at June 30, 2007 | $ 119,400 |
| Maximum allowed under the agreement | 110,000 |
| Excess | 9,400 |
| Factor | 7.75 |
| Share reduction | 1,212,903 |

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, 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 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, there shall be no reduction.

**Assuming Buyout of Sam Lim and maximum conversions:**

Note 13 To record maximum conversion of approximately 19.99% of outstanding shares (3,232,148 shares purchased)

| | | |
|---|---|---|
| Decrease | Common Stock, subject to possible conversion | $25,452 |
| Decrease | Cash and cash equivalents | 25,452 |

Note 14 To reclass deferred merger costs upon acquisition

| | | |
|---|---|---|
| Decrease | Intangible assets | 400 |
| Decrease | Common Stock and additional paid in capital | 400 |

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**NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS**

**ASSUMING LIM BUYOUT AFFECTED BY ENDEAVOR**

**JUNE 30 , 2007 (Continued)**

**(in thousands of dollars)**

**FOR THE SIX MONTHS ENDED JUNE 30, 2007**

Note 15 Reflects the elimination of sales and cost of sales between American Apparel, Inc. and The American Apparel Group of Canada.

| | | |
|---|---|---|
| Decrease | Net sales | $ 6,053 |
| Decrease | Cost of sales | 5,850 |

Note 16 To eliminate, effective January 1, 2007, dividend income earned on cash held in trust fund, interest expense on long-term indebtedness paid off, management fees paid to a related party and the accretion of trust fund relating to common stock.

| | | |
|---|---|---|
| Decrease | Dividend income | $ 2,152 |
| Decrease | Interest expense | 910 |
| Decrease | Accretion of trust fund, relating to common stock | 430 |
| Decrease | Management fee | 1,762 |

Note 17 To record additional tax provision as a result of a change in tax status from Sub Chapter S Corporation to a C Corporation for the six months ended June 30, 2007.

| | | |
|---|---|---|
| Increase | Income Tax Provision (Benefit) | $ (105) |

**Additional Consideration:**

Following the consummation of the acquisition, Endeavor will pay and expense as part of its operations 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 sales** | | 138,385 | 12,528 | 11,042 | 4 | (10,790) | 138,637 |
| Gross profit | | 126,306 | 22,130 | 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 | (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)** | 3 | 1,335 | 271 | 239 | 6 | (2,236) | (659) |
| **Net income (loss)** | 2,870 | (1,624) | (89) | (79) | | 1,012 | 2,179 |
| **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) | | $ 1,806 | $ 2,179 |
| **Pro Forma Combined-No Conversion:** | | | | | | | |
| **Weighted average number of shares** | 19,910,745 | | | | 7 | 23,739,815 | 43,650,560 |
| **Basic and diluted net income per share** | $ 0.10 | | | | | | $ 0.05 |
| **Pro Forma Combined-Maximum Conversion:** | | | | | | | |
| **Weighted average number of shares** | | | | | 8 | (3,232,148) | 40,418,412 |
| **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**

**DECEMBER 31, 2006**

**(in thousands of dollars)**

Note 1 Derived from the audited statement of operations of Endeavor Acquisition Corp. for the year ending December 31, 2006.

Note 2 Derived from the audited consolidated statement of operations of American Apparel, Inc. for the year ending December 31, 2006.

Note 3 Derived from the combined audited statement of operations of The American Apparel Group of Canada for the year ending December 31, 2006. Canadian dollars converted to US dollars at an average rate of $0.8813.

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, effective January 1, 2006, dividend income earned on cash held in Trust Fund, interest expense in long-term indebtedness paid off, management fees paid to a related party and accretion of Trust Fund to common stock.

| | | |
|---|---|---|
| Decrease | Dividend income | $ 3,974 |
| Decrease | Interest expense | 941 |
| Decrease | Accretion of trust fund, relating to common stock | 794 |
| 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) | $ (2,236) |

Note 7 To record stock issued to Mr. Charney for 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 and/or if Mr. Charney fails to consummate the Lim Buyout. If the acquisition is consummated on October 31, 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 23,739,815 and Endeavor would pay Mr. Lim $66,016.

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, 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 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, there shall be no reduction. As of December 31, 2006 American Apparel s net debt was below $110,000.

**Assuming Buyout of Sam Lim and maximum conversions:**

Note 8 To record maximum conversion of approximately 19.99% of outstanding shares (3,232,148 shares purchased).

**Additional Consideration:**

Following the consummation of the acquisition, Endeavor will pay and expense as part of its operations 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.**

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## 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, 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 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.

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**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

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,

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the dividends will be treated as dividends and taxable as ordinary income to the participant, but will not be deductible by Endeavor.

*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.**

## 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

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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 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

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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 590 Madison Avenue, 35th Floor, New York, New York, 10022. 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 June 30, 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 June 30, 2007 financial statements and related notes thereto included elsewhere in this proxy statement.

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 $874,373 for the three months ended June 30, 2007 (unaudited) consisting of $1,117,551 of dividend interest income, offset by $243,178 of general, selling and administrative expenses.

For the three months ended June 30, 2006, Endeavor had a net income of $681,465 consisting of $1,011,284 of dividend and interest income offset by $196,621 of general, selling and administrative expenses and $133,198 of provision for income taxes. State and local taxes were being accrued on the net income through June 30, 2006. After Endeavor completed its tax return, it was determined that the interest and dividends on the trust fund were exempt from state and local tax and accordingly such accrual was subsequently reversed.

For the six months ended June 30, 2007, Endeavor had a net income of $1,637,825 consisting of $2,151,746 of dividend and interest income offset by $513,921 of general, selling and administrative expenses.

For the six months ended June 30, 2006, Endeavor had a net income of $1,195,046 consisting of $1,866,243 of dividend and interest income offset by $419,048 of general, selling and administrative expenses and $252,149 of provision for income taxes. State and local taxes were being accrued on the net income through June 30, 2006. After Endeavor completed its tax return, it was determined that the interest and dividends on the trust fund were exempt from state and local tax and accordingly such accrual was subsequently reversed.

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 June 30, 2007 (unaudited), Endeavor had a net income of $4,562,276 consisting of $6,243,958 of dividend and interest income offset by $1,681,682 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 June 30, 2007, Endeavor had current assets (excluding cash held in the trust fund) of $133,102 and current liabilities of $805,358, leaving us with working capital deficit of $672,256, net of $127,262,006 of cash held in trust.

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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 June 30, 2007, 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.

## BUSINESS OF AMERICAN APPAREL

### Overview

American Apparel is a vertically-integrated manufacturer, distributor, and retailer of branded fashion basic apparel. As of July 31, 2007, American Apparel operated 157 retail stores in 11 countries, including the United States, Canada, Mexico, England, Germany, France, 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, fashion essentials. 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 greater 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 June 30, 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 130 people, as of June 30, 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 June 30, 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 157 retail stores in 11 countries, including the United States, Canada, Mexico, England, Germany, France, 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.

**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 essentials 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 essentials 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. Companies that operate in this space include The Gap, Urban Outfitters, H&M, Uniqlo and Forever 21. Many of these companies 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 companies include Gildan Activewear, Hanes, Russell Athletic and Fruit of the Loom. Many of these companies 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 June 30, 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 and believes that its relations with its employees are excellent.

**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 July 31, 2007:

**Domestic Locations (94)**

*Arizona (2)*

Tempe

Tuscon

*California (23)*

Berkeley

Camarillo

Cherokee

Factory Store

Echo Park

Haight Ashbury

Hillcrest

Hollywood

Huntington Beach

Little Tokyo

La Jolla

Los Feliz

Melrose

Pacific Beach

Palo Alto

Robertson

*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

Georgia Tech

Little Five Points

Savannah

*Maryland (2)*

Baltimore

Silver Spring

*Massachusetts (2)*

Cambridge

Newbury Street

*Michigan (3)*

Ann Arbor

East Lansing

Royal Oak

*Nevada (1)*

Las Vegas

*New Jersey (1)*

Hoboken

*New York (16)*

Broadway

*New York (cont d.)*

Soho

Tribeca

Upper East Side

West Village

Williamsburg

Woodbury Commons

*North Carolina (1)*

Charlotte

*Ohio (3)*

Cincinnati

Cleveland

Columbus

*Oregon (3)*

Eugene

Hawthorne Blvd.

Stark Street

*Rhode Island (1)*

Providence

*South Carolina (2)*

Charleston

Columbia

*Tennessee (2)*

Memphis

Nashville

*Texas (2)*

Dallas

Houston

*Vermont (1)*

Burlington

*Virginia (1)*

Richmond

Santa Ana

Santa Barbara

Santa Cruz

Santa Monica

Union Street

Westwood Village

West Hollywood

*Colorado (2)*

Boulder

Larimer

*Illinois (5)*

Evanston

Gold Coast

Lakeview

Lincoln Park

Wicker Park

*Louisiana (1)*

New Orleans

Carroll Gardens

Chelsea

Columbia University

Columbus Circle

Court Street

Flatiron

Gramercy Park

Lower East Side

Park Slope

*Pennsylvania (4)*

Sansom Commons

Shadyside

Univ. of Pittsburgh

Walnut Street

*Washington (3)*

Capitol Hill

Downtown Seattle

University Way

**International Locations (63)**

***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 (24)***

*France (6)*

Beurepaire

Marais Men s

Marais Women s

Marche St-Honore

Saint-Germain

Vielle du Temple

*Germany (11)*

Berlin 1

Berlin 2

Berlin 3

Cologne

Dusseldorf

Frankfurt

Hamburg

Munich 1&2

Munich 3

Stuttgart

*Netherlands (2)*

Amsterdam

Rotterdam

*Switzerland (1)*

Zurich

*United Kingdom (4)*

Carnaby Street

Kensington

Portobello Road

Shoreditch

***Israel (1)***

Tel Aviv

***Asia (11)***

*Japan (5)*

Daikanyama

Shibuya

Azabu

Osaka

Tenjin

*Korea (6)*

Bundang

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 | 6 | 12 | 47 |
| Closed | (2) | 0 | 0 | (2) |
| Total at Year End | 93 | 26 | 30 | 149 |
| **2007** | | | | |
| Opened | 2 | 0 | 8 | 10 |
| Closed | (1) | (1) | 0 | (2) |
| Total as of July 31, 2007 | 94 | 25 | 38 | 157 |

**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.

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| | 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% | 24% | | | |
| Stores | 104 | 119 | | | |

**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. This employee has since filed a claim with the Equal Employment Opportunity Commission ( EEOC ) which is currently investigating the 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 this matter 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 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

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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.

**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.

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**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.

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**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.

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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 essential 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.

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**American Apparel, Inc.**

**Condensed Consolidated Statements of Income**

**For the Six Months Ended June 30, 2007 and 2006 (unaudited)**

| | Six Months Ended June 30, 2007 (Unaudited) | | Six Months Ended June 30, 2006 (Unaudited) | |
|---|---|---|---|---|
| Net sales | $ 157,248 | 100.0% | $ 123,238 | 100.0% |
| Cost of sales | 70,770 | 45.0% | 64,242 | 52.1% |
| Gross profit | 86,478 | 55.0% | 58,996 | 47.9% |
| OPERATING EXPENSES | | | | |
| Selling | 26,808 | 17.1% | 21,207 | 17.2% |
| Warehouse and Distribution | 2,887 | 1.8% | 2,620 | 2.1% |
| General and Administrative | 39,609 | 25.2% | 27,818 | 22.6% |
| Operating income | 17,174 | 10.9% | 7,351 | 6.0% |
| Interest expense | 8,096 | 5.1% | 5,042 | 4.1% |
| Other (Income) Expense | 156 | 0.1% | (107) | (0.1)% |
| INCOME BEFORE INCOME TAXES | 8,922 | 5.7% | 2,416 | 2.0% |
| Income tax provision | 2,674 | 1.7% | 392 | 0.3% |
| NET INCOME | $ 6,248 | 4.0% | $ 2,024 | 1.7% |

*Six months ended June 30, 2007 compared with Six months ended June 30, 2006*

Net sales increased $34,010 or 27.6% from approximately $123,238 for the six months ended June 30, 2006 to approximately $157,248 for the six months ended June 30, 2007. Increase in net sales was primarily attributable to having 24 new retail locations opened during the six months period which ended June 30, 2007. Increase in same store sales, as well as an increase in wholesale activity also contributed to the overall increase in net sales. During the six months period ended June 30, 2007, AAI opened 16 new retail stores within the United States while closing 3 retail stores, a net gain of 13. Internationally, AAI added 11 new retail stores. Overall, as of June 30, 2007, AAI had a total of 131 retail locations, 95 of them within the United States and 36 internationally. As of June 30, 2006, AAI had 108 retail locations 81 within the United States, while it had 27 international retail locations.

Of the $34,010 increase in net sales for the six months ended June 30, 2007 as compared to the six months ended June 30, 2006, approximately $13,100 of the total net sales increase is related to the increase in retail sales at AAI s retail locations within the United States. Of this increase, approximately $4,100 was a result of increase in same store sales. The remainder of the increase, or approximately $9,000, was a result of sales at newly opened retail stores within the United States. Stores opened since June 30, 2006 included Silver Spring, Santa Barbara, Cleveland, Pittsburgh, Santa Ana, Cambridge, Hoboken, Gainesville, Columbia University (New York), Buckhead Atlanta, Flatiron District (New York), Cincinnati, Tuscon, Nashville, Palo Alto and Downtown Seattle .Wholesale activity in the United States contributed approximately $3,010 to the overall increase in net sales.

International sales contributed approximately $17,900 to the increase in net sales. Of this amount, approximately $9,600 was due to the increase in sales in continental Europe. Increase in European sales is mostly due to eight retail stores opened in Europe since June 30, 2006, as well as the increase in same store sales. Sales within the United Kingdom contributed approximately $4,100 to the increase in international sales. Same store sales of $2,300 as well as increased wholesale sales of $1,800 made up the total increase of net sales within the United Kingdom. Additional $2,300 increase in international sales was realized in Korea where two new stores were opened since June 30, 2006, as well as in Japan where a single new store opening since June 30, 2006 contributed $1,900 to the increase in international sales.

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Cost of sales increased from $64,242 for the six months ended June 30, 2006 to $70,770 for the six months ended June 30, 2007, a change of $6,528. Cost of sales include the costs of raw materials, labor, overhead, shipping and handling, and other production related expenses. As a percentage of sales, Cost of sales decreased from 52.1% for the six months ended June 30, 2006 to 45.0% for the six months ended June 30, 2007. This decrease is due to a changing sales mix in favor of retail sales. The retail channel accounted for 54% of net sales for the six months ended June 30, 2007 compared to 46% of net sales for the six months ended June 30, 2006. Retail sales realize significantly higher markups than wholesale sales. The decrease is also due to gains in operational efficiencies resulting from increased production during the six months ended June 30, 2007 as AAI increased production to build up inventory to accommodate increased sales during the peak selling season at the end of the second and beginning of the third quarter of 2007.

Gross profit increased 7.1% as a percentage of sales from approximately $58,996 for the six months ended June 30, 2006 to approximately $86,478 for the six months ended June 30, 2007. As a percentage of sales, gross profit increased from 47.9% for the six months ended June 30, 2006 to 55.0% for the six months ended June 30, 2007. Increase in Gross profit is due to the higher margins realized on retail sales as well as the increase in online sales. Retail sales generate a gross margin of approximately 75%, while the wholesale channel generates a gross margin of approximately 30%.

Selling expenses increased from approximately $21,207 for the six months ended June 30, 2006 to approximately $26,808 for the six months ended June 30, 2007, an increase of approximately $5,601. Selling expenses generally consist of payroll, insurance, advertising and marketing expenses and sales commissions. Approximately $4,500 of the total year-over-year increase was due to increases in salaries and benefits incurred by the US retail and European operations where most of the new store openings had taken place, and to a lesser extent due to increases in salaries and benefits in Japan and Korea. Increases in direct advertising and associated expenses contributed another $1,100 to the overall increase in selling expenses.

Warehouse and distribution expenses for the six months ended June 30, 2007 have remained relatively unchanged, compared to the six months ended June 30, 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. Furthermore, there were no new regional distribution operations established since June 30, 2006.

General and administrative expense increased from approximately $27,818 for the six months ended June 30, 2006 to approximately $39,609 for the six months ended June 30, 2007, an increase of approximately $11,791. This increase in general and administrative expenses was primarily caused by an increase in costs required to operate additional new retail store locations. These costs include staff salaries and benefits, store occupancy and rent expenses, depreciation for new equipment, credit card charges and utilities, among other costs. Salaries and benefits and related staff costs accounted for approximately $5,700 of the increase, mainly due to new store openings. Rent expense increase of $3,200 also contributed to the increase. In addition, the remainder of the increase was mostly due to the costs associated with the pending business combination with Endeavor and associated professional service fees. Increase in professional service fees accounted for approximately $1,400 of the increase, while miscellaneous other increases contributed $1,500 to the overall increase in this category.

Interest expense increased from approximately $5,042 for the six months ended June 30, 2006 to approximately $8,096 for the six months ended June 30, 2007, an increase of approximately 60.6%. This increase in interest expense is related to increased debt and capital lease obligations. Debt and capital lease obligations increased from $84,205 as of June 30, 2006 to $100,936 as of June 30, 2007, an increase of $16,731. This increase in interest expense was attributable to increased borrowing levels in late 2006 and early 2007 to support the growth of the AAI.

Income tax provision increased from approximately $392 for the six months ended June 30, 2006 to approximately $2,674 for the six months ended June 30, 2007, as a result of an increase in foreign income before

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income taxes. 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 approximately $2,024 for the six months ended June 30, 2006 to approximately $6,248 for the six months ended June 30, 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 | |
|---|---|---|---|---|
| Net sales | $ 264,691 | 100.0% | $ 188,106 | 100.0% |
| Cost of sales | 138,385 | 52.3% | 101,048 | 53.7% |
| Gross profit | 126,306 | 47.7% | 87,058 | 46.3% |
| OPERATING EXPENSES | | | | |
| Selling | 49,320 | 18.6% | 34,496 | 18.3% |
| Warehouse and Distribution | 6,669 | 2.5% | 4,156 | 2.2% |
| General and Administrative | 61,017 | 23.1% | 38,171 | 20.3% |
| Operating income | 9,300 | 3.5% | 10,235 | 5.4% |
| Interest expense | 10,797 | 4.1% | 6,258 | 3.3% |
| Other (Income) Expense | (1,208) | (0.5)% | 2 | 0.0% |
| (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 $76,585 or 40.7% from approximately $188,106 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 $87,058 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 $101,048 for the twelve months ended December 31, 2005 to approximately $138,385 for the twelve months ended December 31, 2006. Cost of sales decreased as a percentage of net sales from 53.7% in the twelve months ended December 31, 2005 to 52.3% in the twelve months ended December 31, 2006. Decrease in cost of sales as a percentage of net sales is primarily related to a shift in the Company s sale mix. The Company s retail segments (domestic and foreign) have become an increased percentage of Net Sales during 2006 as compared to 2005. The Company s retail segments have higher gross margins as compared to its wholesale segments. This decrease in cost of sales as a percentage of sales is offset by an increase in reserve for slow-moving inventory. This reserve increased from $800 to $4,284 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. Gross profit increased as a percentage of sales, from 46.3% for the twelve months ended December 31, 2005 to 47.7% for the twelve months ended December 31, 2006.

Selling expenses increased from approximately $34,496 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

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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 percentage of sales from 18.3% 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 increased from approximately $4,156 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 increase represented an increase from 2.2% of sales up to 2.5%. This increase is primarily related to allocation of rent expenses after an additional warehouse building was occupied during 2006.

General and administrative expenses increased from approximately $38,171 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 $6,258 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 taxable income. 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. Where applicable, state income taxes are provided by the Company at the 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.

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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**American Apparel, Inc.**

**Consolidated Statements of Income**

**For the Twelve Months Ending December 31, 2005 and 2004**

| | Twelve Months Ended December 31, 2005 | | Twelve Months Ended December 31, 2004 (Unaudited) | |
|---|---|---|---|---|
| Net sales | $ 188,106 | 100.0% | $ 127,929 | 100.0% |
| Cost of sales | 101,048 | 53.7% | 80,995 | 63.3% |
| Gross profit | 87,058 | 46.3% | 46,934 | 36.7% |
| OPERATING EXPENSES | | | | |
| Selling | 34,496 | 18.3% | 17,793 | 13.9% |
| Warehouse and Distribution | 4,156 | 2.2% | 4,061 | 3.2% |
| General and Administrative | 38,171 | 20.3% | 15,821 | 12.4% |
| Operating income | 10,235 | 5.4% | 9,259 | 7.2% |
| Interest expense | 6,258 | 3.3% | 1,928 | 1.5% |
| Other (Income) Expense | 2 | 0.0% | (13) | 0.0% |
| INCOME BEFORE INCOME TAXES | 3,975 | 2.1 | 7,343 | 5.7% |
| Income tax provision | 392 | 0.2 | 1,019 | 0.8% |
| NET INCOME | $ 3,583 | 1.9% | $ 6,323 | 4.9% |

*Twelve months ended December 31, 2005 compared with twelve months ended December 31, 2004 (unaudited)*

Net sales increased $60,177 or 47.0% from approximately $127,929 in the twelve months ended December 31, 2004 to approximately $188,106 for the twelve months ended December 31, 2005. This sales increase was primarily attributable to opening of 53 new retail locations worldwide during 2005. The number of retail locations in the United States increased from 25 as of December 31, 2004 to 66 as of December 31, 2005. The number of international retail locations increased from 4 as of December 31, 2004 to 18 as of December 31, 2005.

Gross profit dollars increased from approximately $46,934 for the twelve months ended December 31, 2004 to approximately $87,058 for the twelve months ended December 31, 2005. This change was attributable to the increase in net sales as well as the change in revenue mix from AAI s business segments. Wholesale revenue increased from approximately $117,716 for the twelve months ending December 31, 2004 to approximately $128,274 for the twelve months ending December 31, 2005 , an increase of 9%. In the meantime revenue from retail operations increased from approximately $7,810 for the twelve months ended December 31, 2004 to approximately $45,532 for the twelve months ended December 31,2005, an increase of approximately 483%. AAI was able to realize much better gross margins on its retail sales as opposed to the wholesale sales. As a result, gross profit increased as a percentage of sales, from 36.7% for the twelve months ended December 31, 2004 to 48.1% for the twelve months ended December 31, 2005.

Cost of sales increased from approximately $80,995 for the twelve months ended December 31, 2004 to approximately $101,048 for the twelve months ended December 31, 2005. Cost of sales decreased as a percentage of net sales from 63.3% in the twelve months ended December 31, 2004 to 53.7% in the twelve months ended December 31, 2005. Decrease in cost of sales as a percentage of net sales was primarily related to the increase in number of retail locations opened during 2005 and the underlying higher margin of gross profit that was realized in the retail as opposed to the wholesale channel.

Selling expenses increased from approximately $17,793 for the twelve months ended December 31, 2004 to approximately $34,496 for the twelve months ended December 31, 2005. 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 2005. Selling expenses also increased as a percentage of sales from 13.9% in the twelve months ended December 31, 2004 to 18.3% for the twelve months ended December 31, 2005, as AAI spent higher amounts on retail store startup costs and location advertising.

Warehouse and distribution expenses increased from approximately $4,061 for the twelve months ended December 31, 2004 to approximately $4,156 for the twelve months ended December 31, 2005. As a percentage of sales this represented a drop from 3.2% of sales down to 2.2%. This decrease was related to the fact that during 2005 AAI did not require additional warehousing capacity in order to support expansion as AAI s existing facilities were sufficient to support increased warehousing and distribution requirements.

General and administrative expenses increased from approximately $15,821 for the twelve months ended December 31, 2004 to approximately $38,171 for the twelve months ended December 31, 2005. 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, credit card service fees and utilities, all related to the buildup required to support store expansion and sales increases.

Interest expense increased from approximately $1,928 for the twelve months ended December 31, 2004 to approximately $6,258 for the twelve months ended December 31, 2005. This increase was primarily attributable to increased borrowing levels in 2005 to support the growth of the company.

Income tax provision decreased from approximately $1,019 for the twelve months ended December 31, 2004 to approximately $392 for the twelve months ended December 31, 2005. This decrease was primarily due to AAI s subchapter S election for income tax year 2005.

Net income decreased from approximately $6,323 for the twelve months ended December 31, 2004 to approximately $3,583 for the twelve months ended December 31, 2005. This decrease was primarily attributable to the increase in selling, general and administrative and interest expense which where required to support and finance the growth of AAI through 2005.

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**The CI Companies**

**Condensed Combined Statements of Income**

**For the Six Months Ending June 30, 2007 and 2006 (unaudited)**

**(in CDN $,000)**

| | Six Months Ended June 30, 2007 (Unaudited) | | 2006 (Unaudited) | |
|---|---|---|---|---|
| Sales | $ 20,341 | 100.00% | $ 16,136 | 100.00% |
| Cost of sales | 6,960 | 34.22% | 5,574 | 34.54% |
| Gross profit | 13,381 | 65.78% | 10,562 | 65.46% |
| Operating expenses | 11,970 | 58.85% | 9,970 | 61.79% |
| Income before interest | 1,411 | 6.94% | 592 | 3.67% |
| Interest expense | (742) | 3.65% | (503) | 3.12% |
| Income before provision for income taxes | 669 | 3.29% | 89 | 0.55% |
| Provision for income taxes | | | | |
| Current | 351 | 1.72% | 134 | 0.83% |
| Deferred | 45 | 0.22% | (93) | (0.58)% |
| | 396 | 1.94% | 41 | 0.25% |
| Net income for the period | $ 273 | 1.35% | $ 48 | 0.30% |

*Six months ended June 30, 2007 compared with six months ended June 30, 2006*

Net sales for the six months ended June 30, 2007 were approximately $20,341, a $4,205 or 26.1% increase from the sales of approximately $16,136 for the six months ended June 30, 2006.

Retail sales for the period increased to $13,752 from $9,478. This increase of $4,274 is attributable to the increase in comparable store sales of $2,366, or 25.2% with the balance of the increase due to the opening of three additional stores and the closing of one existing store from July 2006 through June 2007 for a total of 25 stores at June 30, 2007. The main contributing factor in the increase of retail sales from 2006 to 2007 is due to the greater variety of items being sold at the companies stores and the remerchandising of the companies stores to better display our products.

Wholesale sales decreased to $6,589 in 2007 from $6,658 in 2006 for a total decrease of $69 or 1.0%. This decrease can be attributed to the change of focus to our retail activities from our wholesale operations.

Gross profit increased 26.7% from approximately $10,562 for the six months ended June 30, 2006 to approximately $13,381 for the six months ended June 30, 2007. Retail gross profit has increased to $10,259, or 74.6% of sales, for 2007 from $6,888, or 72.7% of sales, for 2006. The increase in our retail gross profit percentage is mainly attributable to the strengthening of the Canadian dollar versus the U.S. dollar. Wholesale gross profit decreased to $3,122, or 47.4% of sales, in 2007 from $3,674, or 55.2% of sales, in 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 65.8% of sales in 2007 from 65.5% of sales in 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 $9,970 for the six months ended June 30, 2006 to approximately $11,970 for the six months ended June 30, 2007. Salaries and wages increased by $643 mainly due to the opening of new stores and the increase in sales volume in our existing stores. Rent increased by $339 also due to the opening of new stores. Depreciation and amortization expenses increased from approximately

$812 for the six months ended June 30, 2006 to approximately $892 for the six months ended June 30, 2007. This increase was due to the additional capital expenditures necessitated by the opening of three new stores in the latter half of 2006.

Interest expenses increased from approximately $503 for the six months ended June 30, 2006 to approximately $742 for the six months ended June 30, 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 $41 for the six months ended June 30, 2006 to approximately $396 for the six months ended June 30, 2007 due to our higher profits.

Net income increased from approximately $48 for the six months ended June 30, 2006 to approximately $273 for the six months ended June 30, 2007. This increase 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 | |
|---|---|---|---|---|
| Sales | $ 34,658 | 100.0% | $ 29,283 | 100.0% |
| Cost of sales | 12,528 | 36.1% | 11,119 | 38.0% |
| Gross profit | 22,130 | 63.9% | 18,164 | 62.0% |
| Operating expenses | 20,797 | 60.0% | 17,391 | 59.4% |
| Operating income | 1,333 | 3.8% | 773 | 2.6% |
| Interest | 1,151 | 3.3% | 642 | 2.2% |
| Income before income taxes | 182 | 0.5% | 131 | 0.4% |
| Provision for income taxes | 271 | 0.8% | 138 | 0.5% |
| NET (LOSS) INCOME | $ (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.

**CI Companies**

**Combined Statements of Income**

**For the Twelve Months Ending December 31, 2005 and 2004**

**(In CDN $)**

| | Year Ended December 31, | | | |
|---|---|---|---|---|
| | 2005 | | 2004 (Unaudited) | |
| Sales | $ 29,283 | 100.0% | $ 17,379 | 100.0% |
| Cost of sales | 11,119 | 38.0% | 8,472 | 48.8% |
| Gross profit | 18,164 | 62.0% | 8,907 | 51.2% |
| Operating expenses | 17,391 | 59.4% | 8,382 | 48.2% |
| Operating income | 773 | 2.6% | 525 | 3.0% |
| Interest expense | 642 | 2.2% | 343 | 2.0% |
| Income before provision for income taxes | 131 | 0.4% | 182 | 1.0% |
| Provision for income taxes | 138 | 0.5% | 71 | 0.4% |
| NET (LOSS) INCOME | $ (7) | 0.0% | $ 111 | 0.6% |

*Twelve months ended December 31, 2005 compared with twelve months ended December 31, 2004 (unaudited)*

Net sales for the twelve months ended December 31, 2005 were approximately $29,283, an $11,905 or 68.5% increase from the sales of approximately $17,379 for the twelve months ended December 31, 2004.

Retail sales for the year increased to $15,596 from $4,004. This increase of $11,592 was attributable to the increase in comparable store sales of $1,051, or 26% with the balance of the increase due to the opening of 11 additional stores during the year for a total of 20 stores at December 31, 2005.

Wholesale sales increased to $13,687 in 2005 from $13,374 in 2004 for a total increase of $313 or 2.3%.

Gross profit increased 104.0% from approximately $8,906 for the twelve months ended December 31, 2004 to approximately $18,164 for the twelve months ended December 31, 2005. Retail gross profit increased to $11,840, or 76% of sales, for 2005 from $2,585, or 65% of sales, for 2004. Wholesale gross profit increased to $6,324, or 41% of sales, in 2005 from $6,321, or 47% of sales, in 2004. The decrease in this 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 62% of sales in 2005 from 51% of sales in 2004 can be attributed to a greater percentage of total sales coming from retail with a higher gross profit percentage. In 2005 retail sales accounted for 53% of total sales and in 2004 retail sales accounted for just 23%

of total sales.

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Operating expenses increased from approximately $8,382 for the twelve months ended December 31, 2004 to approximately $17,391 for the twelve months ended December 31, 2005. Salaries and wages increased by $3,374 mainly due to the opening of eleven new stores and the increase in sales volume in our existing stores. Rent increased by $2,273 due to the opening of new stores. Advertising and promotion increased by $686 due to our successful efforts to both build awareness and promote new and existing stores Management fees increased by $484 from 2004 to 2005. Depreciation and amortization expenses increased from approximately $378 for the twelve months ended December 31, 2004 to approximately $1,146 for the twelve months ended December 31, 2005. This increase was due to the additional capital expenditures necessitated by the opening of new stores in 2005.

Interest expenses increased from approximately $343 for the twelve months ended December 31, 2004 to approximately $642 for the twelve months ended December 31, 2005. This increase was 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 $71 for the twelve months ended December 31, 2004 to approximately $138 for the twelve months ended December 31, 2005.

Net profit decreased from approximately $111 for the twelve months ended December 31, 2004 to a loss of approximately $7 for the twelve months ended December 31, 2005. This decrease was primarily attributable to the increase in expenses necessitated by our rapid retail expansion.

**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:

| | June 30, 2007 (Unaudited) | December 31, 2006 | December 31, 2005 | December 31, 2004 (Unaudited) |
|---|---|---|---|---|
| Inventory | $ 89,893 | $ 76,470 | $ 67,534 | $ 47,072 |
| Trade Receivables | 19,743 | 13,969 | 12,111 | 12,035 |

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As of June 30, 2007, and December 31, 2006, 2005 and 2004, AAI maintained an allowance for doubtful accounts of $1,671, $2,163, $1,085 and $864, respectively. For the same periods, AAI s provision for slow moving inventories was $4,254, $4,254, $800 and $200, respectively.

A summary of inventory and accounts receivable for the CI companies (in CDN$):

| | June 30, 2007 (unaudited) | December 31, 2006 | December 31, 2005 | December 31, 2004 (unaudited) |
|---|---|---|---|---|
| Inventory | $ 8,306 | $ 8,162 | $ 7,393 | $ 5,447 |
| Trade Receivables | 1,881 | 1,317 | 2,536 | 1,500 |

As of June 30, 2007, and December 31, 2006, 2005 and 2004, the CI companies maintained an allowance for doubtful accounts of CDN$46, CDN$30, CDN$32 and CDN$48, 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.

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.

**Cash Flow Overview AAI**

Net cash used in operations of AAI was approximately ($15,383) and ($721) for the six months ended June 30, 2007 and 2006, respectively compared to the net cash provided (used) by operations of $9,886, ($1,116), and ($16,607) for the years ended December 31, 2006, 2005 and 2004, respectively. AAI primarily used proceeds from financing obtained during the six months ended June 30, 2007 to pay its vendors and other obligations. The cash used in operations for the six months ended June 30, 2007 was also a result of the Company building up its inventory levels to support its busy season which typically runs from the middle of the Company s fiscal second quarter through the end of its third quarter. 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.

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Net cash used in investing activities of AAI was approximately ($5,451) and ($8,472) for the six months ended June 30, 2007 and 2006, respectively and was ($15,232), ($15,859) and ($9,895) for the years ended December 31, 2006, 2005 and 2004, 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 $23,201 and $9,567 for the six months ended June 30, 2007 and 2006, respectively and $6,001, $17,428 and $27,756 for the years ended December 31, 2006, 2005 and 2004, 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 provided (used) by operations of the CI companies was approximately $1,093 and ($2,103) for the six months ended June 30, 2007 and 2006 respectively. 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 $129 and $1,615, for the year ended December 31, 2005 and 2004, respectively.

Net cash used in investing activities of the CI companies was approximately ($326) and ($558) for the six months ended June 30, 2007 and 2006, respectively and ($1,881), ($3,908) and ($3,339) for the years ended December 31, 2006, 2005 and 2004, 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 and 2004. During 2006, five new stores were opened while during 2005 eleven new stores were opened and during 2004, nine new stores were opened.

Net cash (used), provided by financing activities of the CI companies activities was approximately ($1,175) and $2,415 for the six months ended June 30, 2007 and 2006, respectively and $2,814, $4,025 and $1,724 for the years ended December 31, 2006, 2005 and 2004, 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 during the six months ended June 30, 2007 as well as in 2006.

**Obligations Overview AAI**

Over the past year, AAI s growth has been funded through a combination of borrowings from related and unrelated parties, bank debt and lease financing. As of June 30, 2007 AAI had approximately $5,600 in unrestricted cash. As of June 30, 2007, AAI failed to meet certain debt covenants relating to its financing agreements with its bank and its private investment firm. As a result of these covenant violations, AAI was in default of provisions stipulated in its financing agreements. During July 2007, AAI executed an agreement to obtain an additional $10 million in financing from its private investment firm. AAI also replaced its revolving credit facility of $62,500 with an increased revolving facility of $75,000 from a new bank. AAI believes that as a result of this it currently has sufficient cash and financing commitments to meet its funding requirements through at least June 2008. AAI expects that it will need to obtain additional financing in order to accomplish its business plan over the next several years. There can be no assurance as to the availability or terms upon which such financing might be available.

**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 June 30, 2007, the revolving credit facility with a bank provided for borrowings up to $62,500. Borrowings under the facility are subject to certain advance provisions established by the bank and are collateralized by substantially all assets of AAI. Interest under the agreement is at LIBOR (5.32% at June 30, 2007) plus 2.5% or the bank s prime rate (8.25% at June 30, 2007) plus 2.25%, at AAI s option. The interest rate was 7.32% at June 30, 2007. The facility was to expire in January 2010. The average borrowings during the six months were $49,818. 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 included a subjective acceleration clause and required AAI to maintain a lock box. During July 2007, AAI replaced this revolving credit facility with an increased revolving credit facility of $75 million from another bank which expires at the earlier of July 2, 2012 or thirty days prior to the maturity date of the loan agreement with the private investment firm (January 18, 2009) unless its refinanced on terms acceptable to the bank. No charges for early extinguishment of debt were incurred associated with this transaction. AAI is currently in compliance with covenants of the new credit facility agreement and accordingly, the loan balance at June 30, 2007 and 2006 was effectively converted from short term debt to long term debt and is therefore is classified as a long-term obligation.

At June 30, 2006, AAI 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 second loan was payable in monthly installments of $48, including interest at prime (8.25% at June 30, 2006) plus 1% through March 2010. 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.

At June 30, 2007, 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 June 30, 2007) plus 1% through October 2007. The balance at June 30, 2007 was $21. The second loan is payable in monthly installments of $22, including interest at prime plus 1% through December 2008. The balance at June 30, 2007 was $293. Both of these loans are secured by related equipment.

At June 30, 2007, AAI had various promissory notes payable in monthly installments aggregating $18, including interest ranging from 4.6% to 11.9% and maturing at various dates through August 2011. The notes are collateralized by equipment.

At June 30, 2007, 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 June 30, 2007 was $114. The second loan was payable in monthly interest only payments at 9% through April 2007. The balance at June 30, 2007 was $936 and this loan is currently due on demand.

At June 30, 2007, AAI has a term loan with a financing company payable in monthly installments of $11 through April 2011, including interest at a rate of 9%. The balance at June 30, 2007 was $345.

AAI 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%. AAI 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 December 31, 2006 was $14,201, which included accrued interest aggregating $1,701. On January 18, 2007, the Company completed a $41 million secured debt financing with a private investment firm. A portion of the financing proceeds was used to pay off this loan plus the accrued interest without any prepayment penalty. No early extinguishment of debt was incurred associated with this transaction.

AAI has unsecured notes payable to certain individuals related to a stockholder, which are due upon demand with interest ranging from 12% to 18% per annum. The balance outstanding at June 30, 2007 was $4,189.

AAI has unsecured notes payable to certain unrelated individuals, which are due upon demand with interest ranging from 10% to 24% per annum. The balance outstanding at June 30, 2007 was $6,359. Notes are personally guaranteed by a stockholder of AAI.

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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 June 30, 2007 was $180. The note is subordinated to the interest of the bank which held AAI s current revolving credit facility as well as the interest of the bank which provided the new secured revolving credit facility on July 2, 2007.

AAI has an unsecured note payable to a stockholder which is due on demand with interest at 12%. The balance outstanding at June 30, 2007 was $180. The note is subordinated to the interest of the bank which held AAI s current revolving credit facility as well as the interest of the bank which provided the new secured revolving credit facility on July 2, 2007.

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.

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 January 18, 2009. The agreement requires AAI to meet certain financial covenants. These covenants include fixed charge coverage ratio, annual capital expense limitation, minimum EBITDA, debt to EBITDA ratio, and adjusted debt to EBITDAR ratio. 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. The agreement allows prepayments prior to January 18, 2008 at the present value of all scheduled payments of interest (whether in cash and in-kind) through the first anniversary of the Closing Date in respect of the amount so repaid discounted at a rate equal to the Federal Funds Rate. Subsequent to that date, any prepayment must include a prepayment premium equal to 3% of the amount prepaid. As of June 30, 2007, AAI was in violation of certain covenants of this agreement. However, the default was subsequently waived and covenants were amended by the lender at the time of the additional financing obtained on July 2, 2007, as described below.

On July 2, 2007, AAI obtained an additional $10 million secured debt financing with the same private investment firm under the same terms as the original agreement on January 18, 2007. As of June 30, 2007, AAI was in violation of certain covenants of the original agreement from January 18, 2007. However, the default was subsequently waived and covenants were amended by the lender at the time of the additional financing obtained July 2, 2007.

On July 2, 2007, AAI also replaced its secured revolving credit facility of $62,500 with an increased revolving credit facility of $75,000 from a new bank. No losses for early extinguishment for debt were incurred in connection with this transaction. Prepayment fees of $313 were expensed in July 2007. Borrowings under the facility are subject to certain advance provisions established by the bank and are collateralized by substantially all assets of AAI. Interest under the agreement is at LIBOR plus 2% or Prime rate, at AAI s option. The credit facility expires at the earlier of (i) July 2, 2012 or (ii) thirty (30) days prior to the maturity date of the loan agreement with the private investment firm (January 18, 2009) unless it is refinanced on terms acceptable to the bank. The agreement does not contain a subjective acceleration clause. The credit facility agreement requires AAI to comply with certain covenants. These covenants include fixed charge coverage ratio, annual capital expense limitation, minimum EBITDA, debt to EBITDA ratio, and adjusted debt to EBITDAR ratio. AAI is currently in compliance with these covenants.

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**Contractual Obligations Summary**

The following table summarizes AAI s contractual commitments as of June 30, 2007, 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, excluding interest | $ 93,002 | $ | $ 92,979 | $ 23 | $ |
| Current debt | 16,490 | 16,490 | | | |
| Capital lease obligations | 5,794 | 3,052 | 2,742 | | |
| Operating lease obligations | 158,163 | 26,314 | $ 44,306 | $ 35,565 | $ 51,978 |
| Advertising Commitments | $ 4,708 | $ 4,708 | | | |
| Total | $ 278,157 | $ 50,564 | $ 140,027 | $ 35,588 | $ 51,978 |

As of June 30, 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 was in default of provisions stipulated in certain financing agreements. Lenders on these defaulted agreements had the right to demand full payment of related outstanding debt. However, during July 2007, AAI replaced this revolving credit facility with an increased revolving credit facility from another bank and amended the credit agreement with the second lien lender. AAI is currently in compliance with covenants set forth by the new and amended credit agreements and accordingly the loan balances at June 30, 2007 were effectively converted from short-term debt to long-term debt and are therefore classified as long-term obligations.

Over the past year, AAI s growth has been funded through a combination of borrowings from related and unrelated parties, bank debt and lease financing. As of June 30, 2007, AAI had approximately $5,600 in unrestricted cash. As of June 30, 2007, AAI failed to meet certain debt covenants relating to its financing agreements with its bank and its private investment firm. As a result of these covenant violations, AAI was in default of provisions stipulated in its financing agreements. During July 2007, AAI executed an agreement to obtain an additional $10 million in financing from its private investment firm. AAI also replaced its revolving credit facility of $62,500 with an increased revolving facility of $75,000 from a new bank. AAI believes that as a result of this it currently has sufficient cash and financing commitments to meet its funding requirements through at least June 2008. AAI expects that it will need to obtain additional financing in order to accomplish its business plan over the next several years. There can be no assurance as to the availability or terms upon which such financing might be available.

**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 June 30, 2007 and 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.

**Contractual Obligations Summary**

The following table summarizes the CI companies contractual commitments as of June 30, 2007, 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 | $ 1,760 | $ 1,367 | $ 22 | $ 25 | $ 346 |
| Interest | 263 | 23 | 37 | 35 | 168 |
| Capital lease obligations, excluding interest | 20 | 20 | | | |
| Interest | 1 | 1 | | | |
| Operating lease obligations | 20,242 | 3,498 | 5,803 | 4,747 | 6,194 |
| Total | $ 22,286 | $ 4,909 | $ 5,862 | $ 4,807 | $ 6,708 |

**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

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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).

*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:

| | Six Months Ended June 30, | | Year Ended December 31, | | |
|---|---|---|---|---|---|
| | **2007 (unaudited)** | **2006 (unaudited)** | **2006 (unaudited)** | **2005 (unaudited)** | **2004 (unaudited)** |
| Net income (loss) | $ 6,286 | $ 1,836 | $ (1,884) | $ 3,253 | $ 6,223 |
| Income taxes | 3,022 | 428 | 1,574 | 506 | 1,074 |
| Interest expense | 8,750 | 5,484 | 11,811 | 6,788 | 2,192 |
| Depreciation and amortization | 6,051 | 5,348 | 10,903 | 6,311 | 2,496 |
| Related-party management fee | 1,762 | 1,168 | 2,045 | 1,896 | 1,394 |
| **EBITDA** | $ 25,871 | $ 14,264 | $ 24,449 | $ 18,754 | $ 13,379 |

*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:

| | Six Months Ended June 30, | Year Ended December 31, |
|---|---|---|

| | 2007 (unaudited) | 2006 (unaudited) | 2006 (unaudited) | 2005 (unaudited) | 2004 (unaudited) |
|---|---|---|---|---|---|
| Net income (loss) | $ 6,248 | $ 2,024 | $ (1,624) | $ 3,583 | $ 6,323 |
| Income taxes | 2,674 | 392 | 1,335 | 392 | 1,019 |
| Interest expense | 8,096 | 5,042 | 10,797 | 6,258 | 1,928 |
| Depreciation and amortization | 5,265 | 4,635 | 9,430 | 5,370 | 2,206 |
| **EBITDA** | $ 22,283 | $ 12,093 | $ 19,938 | $ 15,603 | $ 11,476 |

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*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:

| | Six Months Ended June 30, | | | |
|---|---|---|---|---|
| | 2007 CDN $ (unaudited) | 2007 USD $ (unaudited) | 2006 CDN $ (unaudited) | 2006 USD $ (unaudited) |
| Net income | $ 273 | $ 242 | $ 48 | $ 42 |
| Income taxes | 396 | 348 | 41 | 36 |
| Interest expense | 742 | 654 | 503 | 442 |
| Depreciation and amortization | 892 | 786 | 812 | 713 |
| Related party management fee | 2,000 | 1,762 | 1,329 | 1,168 |
| **EBITDA** | $ 4,303 | $ 3,792 | $ 2,733 | $ 2,401 |

The following table presents a reconciliation of the CI companies EBITDA to their net (loss) 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) | 2004 CDN $ (unaudited) | 2004 USD $ (unaudited) |
| Net (loss) income | $ (89) | $ (78) | $ (7) | $ (6) | $ 111 | 85 |
| Income taxes | 271 | 239 | 138 | 114 | 71 | 55 |
| Interest expense | 1,151 | 1,014 | 642 | 530 | 343 | 264 |
| Depreciation and amortization | 1,671 | 1,473 | 1,146 | 941 | 378 | 290 |
| Related party management fee | 2,320 | 2,045 | 2,298 | 1,896 | 1,814 | 1,394 |
| **EBITDA** | $ 5,324 | $ 4,693 | $ 4,217 | $ 3,475 | $ 2,717 | $ 2,088 |

**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.

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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.

## 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 |
|---|---|---|
| Dov Charney | 38 | Chairman of the Board, Chief executive officer, president and director |
| | | Chief financial officer and treasurer |
| | | Chief operating officer |
| | | Chief information officer |
| Robert Greene | 48 | Director |
| Mark D. Klein | 45 | Director |
| Adrian Kowalewski | 29 | Director |
| Allan Mayer | 57 | Director |
| Keith Miller | 40 | Director |
| Mark Samson | 54 | Director |
| Mortimer Singer | 30 | Director |
| Mark A. Thornton | 42 | Director |

**Dov Charney** is founder of American Apparel and has served as a director, chief executive officer and president of American Apparel 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. Mr. Charney is a graduate of Choate Rosemary Hall and Tufts University.

**Robert Greene** will become a director of Endeavor upon consummation of the acquisition of American Apparel. Mr. Greene is a bestselling author known for his books on strategy. Mr. Greene has worked as a private consultant to several executives in businesses ranging from financial management, to artists agencies and film producers. He has written three books, all published by Penguin: The 48 Laws of Power (1998, over 900,000 copies sold in US, and translated into 21 languages); The Art of Seduction (2001) and The 33 Strategies of War (2006). He has worked in New York City as an editor and writer for several magazines, including Esquire, and in Hollywood as a story developer and writer. He lived for years in London, England; Paris, France; and Barcelona, Spain; he speaks several languages and has worked as a translator. He attended the University of California, Berkeley and the University of Wisconsin-Madison, where he received a B.A. in classical studies.

**Mark D. Klein** will become a director of Endeavor upon consummation of the acquisition of American Apparel. Mr. Klein has been Chief Executive Officer, President and a Director of Alternative Asset Management Acquisition Corp., a publicly traded blank check company formed for the purpose of acquiring an operating business, since February 2007. Mr. Klein is presently the Chief Executive Officer of Hanover Group US LLC, a newly formed indirect US subsidiary of the Hanover Group, whose primary purpose is to be involved with the organization and initial public offering of a blank check company. Mr. Klein is also an investment banker at Ladenburg Thalmann & Co. Inc. and a Managing Member of the LTAM Titan Fund, a fund of funds hedge fund. Prior to joining Hanover in 2007, Mr. Klein was Chairman of Ladenburg Thalmann & Co., Inc., a leading underwriter of blank check companies, which is engaged in retail and institutional securities brokerage, investment banking and asset management services. From March 2005 to September 2006, he was Chief Executive Officer and President of Ladenburg Thalmann Financial Services, Inc., the parent of Ladenburg Thalmann & Co., Inc., and Chief Executive Officer of Ladenburg Thalmann Asset Management Inc., a subsidiary of Ladenburg Financial Services, Inc. Prior to joining Ladenburg Thalmann, from June 2000 to March 2005 Mr. Klein served as the Chief Executive Officer and President of NBGI Asset Management, Inc. and NBGI Securities, which were the US subsidiaries of the National Bank of Greece, the largest financial institution in Greece. Prior to joining NBGI, Mr. Klein was President and Founder of Newbrook Capital Management, and Founder and Managing Member of Independence Holdings Partners, LLC, a private equity fund of funds company. Prior to the formation of Newbrook Capital Management and Independence Holdings Partners, LLC,

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Mr. Klein was a Senior Portfolio Manager for PaineWebber and Smith Barney Shearson. Prior to his affiliation with PaineWebber and Smith Barney Shearson, Mr. Klein managed investment accounts at Prudential Securities and managed firm capital at MKI Securities. Before entering the securities industry, Mr. Klein worked for two years at Arthur Young in its Entrepreneurial Services Group. Mr. Klein is a graduate of J.L. Kellogg Graduate School of Management at Northwestern University, with a Masters of Management Degree and also received a Bachelors of Business Administration degree with high distinction from Emory University.

**Adrian Kowalewski** will become a director of Endeavor upon consummation of the acquisition of American Apparel. Mr. Kowalewski has been with American Apparel since June 2006. In his role as Director of Corporate Finance & Development, he has been chiefly involved in the corporate finance function and helping set company strategy. From July 1999 to June 2002, he worked in the Mergers & Acquisitions Group of CIBC World Markets in New York and London, where he was involved in advising public and private companies in North America and Europe on mergers and acquisition transactions. From July 2003 to July 2004, he worked for Houlihan Lokey Howard & Zukin, where he participated in financial restructurings, mergers and acquisitions, and private placements. He also worked at Lazard Freres & Co., a preeminent advisory investment bank. Mr. Kowalewski holds an A.B. with honors from Harvard University, and an M.B.A. from the University of Chicago Graduate School of Business.

**Allan Mayer** will become a director of Endeavor upon consummation of the acquisition of American Apparel. Since October 2006, he has been a principal partner, member of the management committee, and head of the Strategic Communications Division of 42West LLC, a leading public relations firm. In this capacity, and in his previous position as managing director and head of the entertainment practice at the nationally-known crisis communications firm Sitrick And Company, which he held from 1997 until October 2006, he has advised a wide range of corporate and institutional clients in the entertainment and related industries, including, among others, Imagine Entertainment, the Los Angeles Dodgers, the Major League Baseball Players Association, the Motion Picture Association of America, MTV Networks, the Recording Industry Association of America, Sony Pictures, United Artists, Universal Studios, and The Weinstein Co., as well as providing strategic counsel to such high-profile individuals as Halle Berry, Jim Carrey, Tom Cruise, Johnny Depp, Eminem, Brian Grazer, Ron Howard, Rush Limbaugh, and Steven Spielberg. Mr. Mayer served as a staff reporter for *The Wall Street Journal* from 1972 to 1973; a writer, foreign correspondent and senior editor for *Newsweek* from 1973 to 1982, and the founding editor (and later publisher) of *Buzz* magazine from 1990 to 1997. He served as editorial director of Arbor House Publishing Co. from 1987 to 1988 and senior editor of Simon & Schuster from 1988 to 1990. Mr. Mayer has authored two books *Madam Prime Minister: Margaret Thatcher and Her Rise to Power* (Newsweek Books, 1980) and *Gaston s War* (Presidio Press, 1987). He also is co-author, with Michael S. Sitrick, of *Spin: How To Turn The Power of the Press to Your Advantage* (Regnery, 1998). In addition, he has written for a wide variety of national publications, ranging from *The New York Times Magazine* to *Vogue*. Mr. Mayer is a recipient of numerous professional honors, including the National Magazine Award, the Overseas Press Club Citation of Excellence, and six William Allen White Awards. Mr. Mayer serves on the Board of Directors of Film Independent and lectures regularly on crisis management and communications at UCLA s Anderson School of Business and USC s Annenberg School of Communication. Mr. Mayer received his B.A. from Cornell University.

**Keith Miller** is a partner of Goode Consumer Advisors. Prior to joining Goode at it s formation in January 2006, Mr. Miller was a private investor and advisor to the global consumer branded marketplace. From October 2002 to March 2006, Mr. Miller served as a senior advisor to Itochu Corporation s executive management in Osaka and Tokyo, Japan. His responsibilities included the origination, structuring and the execution of brand related mergers and acquisitions, licenses, distribution and joint venture agreements in Asia. As a principal investor and while assisting Itochu, Mr. Miller targeted the acquisition of many consumer and lifestyle brands with global awareness and positioning. From 1987 to 1999, Mr. Miller was the co-founder and President of a manufacturing business which supplied some of the most notable brands in the world including: Gap, Adidas, Old Navy, Polo Ralph Lauren, Levi Strauss and Company, Express, and The Limited. Mr. Miller is

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an advisory board member and shareholder of Chrome Hearts, Inc., and advisory board member to LeSportsac, Shabby Chic, Intermix, Vestal Watch Company and James Perse. Mr. Miller sits on the board of the Sachdev Group of New Dehli, India which operates and manages global luxury consumer brands in the country of India. Mr. Miller continues to advise many well known entrepreneurs, CEOs and principal shareholders in the consumer marketplace.

**Mark Samson** will become a director of Endeavor upon consummation of the acquisition of American Apparel. Since 1999, Mr. Samson has been Managing Director of Getzler Henrich & Co, Inc., a leading corporate restructuring firm in the U.S. with a focus on middle market companies. In this capacity, he has served as interim chief executive officer, chief operating officer and/or chief restructuring officer and financial advisor for more than 40 companies. During his tenure with Getzler Henrich, Mr. Samson has provided numerous clients with guidance in operational restructuring, bankruptcy proceedings and business operation, management practices, cash flow and profitability improvements. From 1984 to 2000, Mr. Samson served as Executive Chairman of the Board, Co-President and Chief Executive Officer of Debjon Group/Sidcor/MQM Group, a consortium of 53 vertically integrated retail businesses and convenience stores. From 1976 to 1984, Mr. Samson was Marketing Director for the Berden Group, the largest manufacturer of work wear and corporate uniforms in Africa. Mr. Samson received his BBA in Economics and Marketing from the University of South Africa and is a member of the Turnaround Management Association and American Bankruptcy Institute.

**Mortimer Singer** will become a director of Endeavor upon consummation of the acquisition of American Apparel. Mr. Singer has been a Senior Vice President of Marvin Traub Associates ( MTA ), a business development and strategy consulting firm focused on working with brands, retailers, developers and related businesses that operate in the retail and consumer goods sectors, since April 2003. In this capacity he oversees all aspects of MTA s business, from merger and acquisition advisory services to strategic consulting in the fashion and retail industries for clients in the U.S., as well as Russia, India, Europe and other locales. In this capacity he also co-founded and became Managing Director of Traub Singer Magnusdottir Capital, MTA s venture division. Prior to joining MTA, Mr. Singer launched, in August 2002, the U.S. division of Quintessentially, a UK based luxury concierge services, where he headed the sale and business development initiative, as well as US brand development until April 2003. From June 2000 to June 2002, Mr. Singer worked in the Technology, Media and Telecom division of JPMorgan Chase, where he advised domestic clients on acquisitions, divestitures, restructurings, joint ventures and financing alternatives. He received his BA from the University of Pennsylvania.

**Mark A. Thornton** will become a director of Endeavor upon consummation of the acquisition of American Apparel. Since January 2005, Mr. Thornton has been an independent consultant to various clients, advising them in the areas of private equity raises and project management, and also lectures at the Harvard Negotiation Insight Initiative. From April 2002 until December 2004, Mr. Thornton researched and authored a book, entitled *Meditation in a New York Minute,* which was published by Sounds True. At various times during the period from 1997 to March 2002, Mr. Thornton worked in several capacities for JPMorgan, including serving as the Chief Operating Officer for JPMorgan Private Bank in London from June 2001 to March 2002, specializing in operational risk management relating to the merger of JPMorgan with Robert Fleming. He oversaw core aspects of the merger and chaired numerous committees related to operational risk, new product lines and new business development. Prior to joining JPMorgan in 1997, Mr. Thornton worked in various market risk and credit risk positions for blue chip investment banks and securities firms, including Daiwa Europe Bank plc and Australian and New Zealand Banking Group Ltd.

**Compensation of Directors**

Our non-employee directors will receive annual stock grants to purchase that number of shares of our common stock having an aggregate market value of $75,000 at the time of grant, with the first grant being made at the closing of the proposed acquisition and on each anniversary of service thereafter. Non-employee directors also will receive $1,000 for each board and committee meeting attended and shall be reimbursed for travel expenses incurred in connection with attending these meetings.

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**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, Messrs. Greene, Klein, Mayer, Miller, Samson, Singer and Thornton will be the independent directors of Endeavor.

**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 Messrs. Klein, Samson and Thornton, with Mr. Klein as Chairman.

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;