Endeavor Acquisition Corp.
Form PRER14A
November 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:

37,258,065

(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 November 1, 2007: ($12.30)

(4) Proposed maximum aggregate value of transaction:

$458,274,200

(5) Total fee paid:

$16,954

x Fee paid previously with preliminary materials: $16,954

¨ 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 November , 2007 and is first being mailed to Endeavor stockholders on or about November , 2007.

**Endeavor Acquisition Corp.**

**590 Madison Avenue**

**21st Floor**

**New York, New York 10022**

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**NOTICE OF SPECIAL MEETING OF STOCKHOLDERS**

**TO BE HELD ON DECEMBER 12, 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 December 12, 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 Amended and Restated Agreement and Plan of Reorganization dated as of November 7, 2007 (the Acquisition Agreement ), among Endeavor, AAI Acquisition, LLC, a California limited liability company 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 American Apparel Canada Wholesale Inc. and American Apparel Canada Retail Inc. (together, 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 (the CI Stockholders ), and the transactions contemplated thereby. The Acquisition Agreement amends and restates in its entirety that certain Agreement and Plan of Reorganization, dated as of December 18, 2006 (the Original Agreement ), by and among Endeavor, AAI Acquisition Corp., AAI, LLC, the CI companies, Mr. Charney, Mr. Lim and the CI Stockholders. 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.

(i)

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 November 16, 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.

The acquisition proposal must be approved by the holders of a majority of the shares of Endeavor common stock sold in Endeavor s initial public offering ( IPO ) that are cast 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 are 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 name change amendment, capitalization amendment, Article Sixth amendment, the performance equity plan and adjournment proposals but will have no effect on the acquisition proposal. 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 proposal, but will have no effect on the acquisition proposal or the performance equity plan proposal. 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 decrease the likelihood of the adoption of such proposals and thus also reduce the likelihood of the effectuation of 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. As of November 1, 2007, the conversion price would have been approximately $7.97 in cash for each share of Endeavor common stock issued for the IPO. 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 November 1, 2007, the last sale price of Endeavor s common stock was $12.30.

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

After careful consideration, Endeavor s board of directors has determined that the acquisition proposal and the other proposals are fair 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.

November , 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.

Endeavor maintains a website at *www.endeavoracq.com*. The contents of that website are not part of this proxy statement.

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

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## SUMMARY OF MATERIAL TERMS OF THE ACQUISITION

***Parties***

The parties to the acquisition are:

- Endeavor Acquisition Corp. ( Endeavor ),
- AAI Acquisition LLC ( 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. (together, the CI companies and, collectively with AAI and LLC, American Apparel or the American Apparel companies ).

See the section entitled *Summary of Certain Provisions of the Proxy Statement - Parties.*

***The Acquisition***

Under the terms of the Acquisition Agreement:

- prior to the closing of the acquisition (the Closing ), Mr. Charney will have the right, but not the obligation, to purchase all of the outstanding capital stock and membership interests of the American Apparel companies owned by Mr. Lim (the Lim Buyout ), provided that, if the Lim Buyout is not consummated by Mr. Charney prior to the Closing, the Lim Buyout shall be consummated directly by Endeavor at its sole cost and expense;
- prior to the Closing, 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, as successors in interest to the Canadian entities that were original signatories to the Acquisition Agreement, will be acquired by Endeavor, with each of them surviving the transaction as a wholly owned subsidiary of Endeavor.

See the section entitled *The Acquisition Proposal.*

***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 37,258,065 shares of Endeavor common stock, subject to downward adjustment 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 is more than $150,000,000. Following the Closing, Endeavor will pay and expense as part of its operations an aggregate of $2.5 million of cash bonuses to existing American Apparel employees. As of September 30, 2007, American Apparel s net debt does not exceed $150,000,000 and it is not anticipated to exceed $150,000,000 at Closing. Accordingly, it is unlikely that any adjustment will be made to the number of shares issued to Mr. Charney. See the section entitled *The Acquisition Agreement Acquisition Consideration.*

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***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, Mr. Charney will own approximately 65.2% of the outstanding Endeavor common stock and the current stockholders of Endeavor will own approximately 34.8% of the outstanding Endeavor common stock immediately following the Closing;

- 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, Mr. Charney will own approximately 69.1% of the outstanding Endeavor common stock and the current stockholders of Endeavor will own approximately 30.9% of the outstanding common stock of Endeavor immediately following the Closing.

The foregoing percentages do not take into account any exercise of outstanding warrants to purchase shares of Endeavor common stock (which warrants will become exercisable at Closing) or any outstanding options.

***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 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.*

***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, 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 Executive Compensation Employment Agreement and Non-Competition Covenants.*

***Post-Acquisition Board of Directors; Voting Agreement***

- 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.*

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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 Amended and Restated Agreement and Plan of Reorganization, dated as of November 7, 2007, 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 Closing, 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 within the period specified in a notice you will receive from Endeavor, which period will be not less than 20 days. 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, or (iv) otherwise wish to correct or change your proxy card, 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 within the period specified in the notice that will be provided by Endeavor as described above.

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 $128.7 million in the trust account, which would amount to approximately $7.97 per share sold in the IPO 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. See the section entitled *Special Meeting of Endeavor Stockholders Conversion Rights* for the procedures to be followed if you wish to convert your shares into cash.

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. A registration statement must be in effect to allow you to exercise any warrants you may hold or to allow Endeavor to call the warrants for redemption if the redemption conditions are satisfied.

**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. Since there is no economic incentive for Mr. Charney to effect the Lim Buyout, Endeavor will effectively be required to effect the Lim Buyout and $60 million plus an additional cash amount based on the date on which the Lim Buyout is completed shall be used from the trust account and will therefore be unavailable to the combined companies. If the acquisition were to be consummated on December 14, 2007, and Endeavor was required to effect the Lim Buyout on the same date, Endeavor would pay Mr. Lim approximately $67.8 million. See the section entitled *The Acquisition*

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*Agreement Acquisition Consideration Lim Buyout*. In addition, if Endeavor is required to convert 19.99% of the Public Shares into cash, approximately $25.7 million of the proceeds in trust would be paid to the holders thereof. Accordingly, the minimum amounts available to the combined companies at consummation of the acquisition will be approximately $34.9 million. Regardless of the amount of proceeds delivered to the combined companies at closing of the acquisition, approximately $18.7 million will be used to repay existing indebtedness, $3.2 million will be used to make certain prescribed distributions to stockholders of AAI in connection with their personal income tax responsibilities; and $2.5 million will be used to pay cash bonuses to retained American Apparel personnel. In addition, a portion of the proceeds will be used to pay approximately $1.8 million in underwriting commissions from Endeavor s initial public offering to Ladenburg Thalmann & Co., which were deferred, and the costs associated with the acquisition, including professional and printing fees. 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.** If Endeavor does not complete the acquisition by December 15, 2007, it 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 in the section entitled *Other Information Related to Endeavor Liquidation If No Business Combination,* Endeavor will liquidate and 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. 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 Closing will occur promptly following the Endeavor special meeting on December 12, 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 November 16, 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.

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| **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. |
| **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:<br><br>Martin Dolfi<br><br>Endeavor Acquisition Corp.<br><br>590 Madison Avenue, 21st Floor<br><br>New York, New York 10022<br><br>Tel: (212) 683-5350<br><br>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*.<br><br>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:<br><br>Mark Zimkind<br><br>Continental Stock Transfer & Trust Company<br><br>17 Battery Place, 8th Floor<br><br>New York, New York 10004<br><br>Telephone: (212) 845-3287 |

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## SUMMARY OF THE PROXY STATEMENT

**Parties**

Endeavor is a blank check company formed on July 22, 2005 to effect a merger, capital stock exchange, asset acquisition or other similar business combination with an operating business. Its mailing address is 590 Madison Avenue, New York, New York 10022. After the consummation of the acquisition, its mailing address will be 747 Warehouse Street, Los Angeles, California 90021, which is American Apparel s corporate headquarters. Its present website address is *www.endeavoracq.com*. After the consummation of the acquisition its website address will be *www.americanapparel.net*, which is presently the website address of American Apparel.

American Apparel is a vertically-integrated manufacturer, distributor, and retailer of branded fashion basic apparel. As of September 30, 2007, American Apparel operated 165 retail stores in 13 countries, including the United States, Canada, Mexico, England, Germany, France, Switzerland, the Netherlands, Israel, Italy, Japan, Sweden 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:

- prior to the Closing, Mr. Charney will have the right, but not the obligation to purchase all of the outstanding capital stock and membership interests of the American Apparel companies owned by Mr. Lim ( the Lim Buyout ), provided that, if the Lim Buyout is not consummated by Mr. Charney prior to the Closing, the Lim Buyout shall be consummated directly by Endeavor at its sole cost and expense;

- prior to the Closing, 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*.

**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 37,258,065 shares of Endeavor common stock, subject to downward adjustment 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 is more than $150,000,000. Following the Closing, 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 has the right but not the obligation to purchase all of Mr. Lim  s equity interests in the American Apparel companies prior to the Closing. 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 effect the Lim Buyout as part of the acquisition by paying Mr. Lim cash for all of his equity interests in the American Apparel companies. The consideration to be received by Mr. Charney in connection with the Closing will not be reduced or otherwise affected should the Lim Buyout be consummated by Endeavor. Since there is no economic incentive for Mr. Charney to affect the Lim Buyout, Endeavor will effectively be required to affect the Lim Buyout. If the acquisition were to be consummated on December 14, 2007, and Endeavor was required to effect the Lim Buyout on the same date, Endeavor would pay Mr. Lim approximately $67.8. See the section entitled *The Acquisition Agreement Acquisition Consideration Lim Buyout.*

**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 Performance Equity Plan Proposal* and *The Adjournment Proposal.*

**Interests of Endeavor s Directors and Officers in the Acquisition**

Certain of Endeavor s officers and directors have 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 required to liquidate, 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. In the event the acquisition is not consummated, all 3,750,000 shares held by Endeavor s officers and directors, which had an aggregate market value of approximately $46,125,000 as of November 1, 2007, would expire and be worthless.

- As of November 1, 2007, Endeavor owes an aggregate of $575,000 to Mr. Eric Watson and Mr. Jonathan Ledecky, Endeavor s current chairman of the board and president, respectively, and their affiliates. If the business combination is not consummated, Messrs. Watson and Ledecky will be repaid only to the extent Endeavor has sufficient funds available to it outside of the trust account. As of November 1, 2007, Endeavor had only nominal funds outside of the trust account. Accordingly, in the event the acquisition is not consummated, Messrs. Watson and Ledecky will not be repaid.

- If Endeavor is unable to complete a business combination and is required to liquidate, Messrs. Watson and Ledecky will be personally liable under certain circumstances (for example, if a vendor does not waive any rights or claims to the trust account) to ensure that the proceeds in the trust account are not reduced by the claims of certain prospective target businesses and vendors or other entities that are owed money by Endeavor for services rendered or products sold to it.

See the section entitled *The Acquisition Proposal Interests of Endeavor s Directors and Officers in the Acquisition.*

**Interests of American Apparel s Directors and Officers in the Acquisition**

In addition, we urge you to consider the interests of certain directors and officers of American Apparel in the acquisition. In particular:

- in connection with the consummation of the acquisition, Mr. Charney shall receive an aggregate of up to 37,258,065 shares of Endeavor s common stock, subject to downward adjustment, which will result in Mr. Charney owning up to 69.1% of the outstanding Endeavor common stock immediately following the Closing, assuming that 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. In the event the acquisition is not consummated, none of the 37,258,065 shares issuable to Mr. Charney, which have an aggregate market value of approximately $458,274,200 as of November 1, 2007, would be issued. In addition, Mr. Charney will enter into an employment agreement with Endeavor concurrently with the Closing under which he shall receive an annual base salary of $750,000 and also be entitled to receive an annual bonus of up to 150% of his base salary and a long-term bonus over the initial three-year term of the employment agreement of up to 300% of his base salary upon attainment by Endeavor of performance objectives to be determined by Endeavor s compensation committee following the Closing.

Mr. Charney has the right, but not the obligation to purchase all of Mr. Lim s equity interest in the American Apparel companies prior to Closing for $60 million plus an additional cash price to be determined based upon the date on which the Lim Buyout is completed. However, in the event that Mr. Charney does not consummate the Lim Buyout prior to the Closing, Endeavor shall effect the Lim Buyout as part of the transaction at its sole cost and expense. Since there is no economic incentive for Mr. Charney to affect the Lim Buyout, Endeavor will effectively be required to affect the Lim Buyout. Assuming the acquisition is consummated on December 14, 2007 and Endeavor is required to purchase Mr. Lim s equity interest, Endeavor would pay Mr. Lim approximately $67.8 million.

certain key officers and other employees of American Apparel may receive a cash bonus in connection with the consummation of the acquisition. The aggregate total of cash bonuses to be awarded has been set at $2.5 million.

all outstanding unsecured indebtedness currently due and owing from American Apparel to Messrs. Charney and Lim, as well as certain members of their respective families and officers of American Apparel, shall be paid by Endeavor immediately following the Closing. At September 30, 2007, the aggregate amount of such indebtedness was approximately $18.7 million.

Please see the sections entitled *The Acquisition Agreement Acquisition Consideration* and *Certain Relationships and Related Party Transactions American Apparel Related Party Transactions* for a more detailed discussion of these interests.

**Federal Income Tax Consequences**

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

**Opinion of Jefferies & Company, Inc.**

In connection with the acquisition as contemplated by the Original Agreement, 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 that was to be paid by Endeavor pursuant to the Original 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 that was to be paid by Endeavor under the terms of the Original Agreement, and whether the fair market value of American Apparel was at least equal to 80% of Endeavor s net assets. Jefferies opinion does not address any other aspect of the acquisition or the terms of the Acquisition Agreement, which amends and restates the Original Agreement in its entirety. 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 fair to 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 and the applicable Canadian federal and provincial law. Accordingly, no further action by the American Apparel stockholders is needed to approve the acquisition.

**Reasons for the Acquisition**

Endeavor believes that American Apparel is positioned for continued growth in its markets and believes that a business combination with American Apparel will provide Endeavor stockholders with an opportunity to participate in an enterprise with significant growth potential. American Apparel had an 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 an annual growth rate in EBITDA of approximately 33.3% from EBITDA of approximately $16.8 million in 2005 to EBITDA of approximately $22.4 million in 2006. For the nine month period ended September 30, 2007, American Apparel had revenues of approximately $275.6 million. This was an approximate 31% increase over revenues of approximately $209.8 million for the nine month period ended September 30, 2006. American Apparel s retail sales for the first nine months of 2007 were approximately $126.0 million, an increase of approximately 51% over retail sales of approximately $83.6 million in the comparable period for 2006. EBITDA for the nine month period ended September 30, 2007 was approximately $40.2 million, an increase of approximately 125.8%

over EBITDA of approximately $17.8 million for the comparable period for 2006. See *The Acquisition Proposal Background of the Acquisition Endeavor s Board* *of Directors Reasons for Approval of the Acquisition*. 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.*

**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 $124.7 million as of September 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 Waivers and Amendments**

*Waivers*

In March and April 2007, Endeavor waived certain obligations of American Apparel contained in the Original Agreement. Specifically, Endeavor waived the requirement that:

- American Apparel deliver audited financial statements for the years ended December 31, 2006, 2005 and 2004 by January 30, 2007, although it did not waive the obligation to ultimately deliver such financial statements (which have since been delivered);
- American Apparel deliver projections that demonstrate it would have EBITDA of at least $50 million for the year ending December 31, 2007 giving effect to certain adjustments; and
- American Apparel deliver projections that demonstrate it would have EBITDA of at least $70 million for the year ending December 31, 2008 giving effect to certain adjustments.

No additional obligations were imposed or agreed to in connection with the foregoing waivers.

*Modifications*

The Original Agreement provided, as a condition to Endeavor s obligation to close the acquisition, that American Apparel have EBITDA of at least $30 million for the year ended December 31, 2006, after giving effect to certain adjustments, such as inventory write downs and workers compensation expenses, aggregating $5 million. In April 2007, Endeavor allowed an increase to the adjustments to approximately $9.9 million in the aggregate. No additional obligations were imposed or agreed to in connection with the foregoing modification.

*Amended and Restated Acquisition Agreement*

On November 7, 2007, the Original Agreement was amended and restated in its entirety by the Acquisition Agreement to give effect to the foregoing waivers and modifications by removing those financial statement and financial projections delivery obligations and to, among other things:

- substitute a limited liability company for a corporation as the Merger Sub;

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increase the number of shares of Endeavor being issued to Mr. Charney at the closing of the acquisition from 32,258,065 to 37,258,065;

provide that if Mr. Charney does not affect the Lim Buyout prior to Closing and Endeavor is therefore required to affect the Lim Buyout, the shares issuable to Mr. Charney in the acquisition would not be reduced as provided in the Original Agreement;

increase the level of American Apparel s net debt above which there would be a downward adjustment in the number of shares issued to Mr. Charney at the closing of the acquisition from \$110 million to \$150 million;

increase the size of the 2007 performance equity plan from 2,710,000 shares to 7,710,000 shares and to provide that stock awards for an aggregate of 2,710,000 shares would be allocated and issued thereunder after Closing and upon filing of an effective registration statement on Form S-8; and

eliminate as a closing condition the hiring of a chief financial officer, chief operations officer and chief information officer.
Additionally, in connection with the revised terms of the acquisition, the terms of the employment agreement to be executed by Mr. Charney and Endeavor at the closing of the acquisition as contemplated by the Original Agreement have been revised and include an annual base salary of \$750,000 and performance-based bonuses. See the section entitled *Directors and Executive Officers of Endeavor Following the Acquisition Executive Compensation Employment Agreement and Non-Competition Covenants.*

After discussion with Jefferies, the board of directors of Endeavor determined to forego obtaining a new opinion in connection with the amended and restated Acquisition Agreement given the limited time remaining to consummate the acquisition prior to the date Endeavor would be required to liquidate and Endeavor s lack of remaining funds outside the trust. See *The Acquisition Proposal Background of the Acquisition Endeavor s Board of Directors Reasons for Approval of the Acquisition*.

See the section entitled *The Acquisition Agreement Certain Waivers and Amendments* and *The Acquisition Proposal Endeavor s Board of Directors Reasons for Approval of the Acquisition.*

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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 nine months ended September 30, 2007 (unaudited) and September 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 September 30, 2007 (unaudited), September 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 nine months ended September 30, 2007 (unaudited) and September 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 September 30, 2007 (unaudited), September 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 nine months ended September 30, 2007 (unaudited) and September 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 September 30, 2007 (unaudited), September 30, 2006 (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. AAI s interim financial statements for the period ended September 30, 2007 and 2006 were not required to be reviewed and therefore were 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 except share data)**

| | Nine Months Ended September 30, | | Year Ended December 31, | | | | |
|---|---|---|---|---|---|---|---|
| | 2007 (unaudited) | 2006 (unaudited) | 2006 | 2005 | 2004 (unaudited) | 2003 (unaudited) | 2002 (unaudited) |
| **Consolidated Statements of Operations:** | | | | | | | |
| Net sales | $ 254,837 | $ 196,745 | $ 264,691 | $ 188,106 | $ 127,929 | $ 77,983 | $ 38,564 |
| Cost of sales | 119,103 | 106,064 | 138,385 | 101,048 | 80,995 | 49,086 | 26,390 |
| Gross profit | 135,734 | 90,681 | 126,306 | 87,058 | 46,934 | 28,897 | 12,174 |
| Operating expenses | 108,270 | 82,388 | 117,006 | 76,823 | 37,676 | 22,261 | 9,812 |
| Income from operations | 27,464 | 8,293 | 9,300 | 10,235 | 9,258 | 6,636 | 2,362 |
| Interest expense | 12,255 | 7,869 | 10,797 | 6,258 | 1,928 | 855 | 671 |
| Other (income) expense | (1,097) | (350) | (1,208) | 2 | (12) | 172 | 12 |
| Income (loss) before income taxes | 16,306 | 774 | (289) | 3,975 | 7,342 | 5,609 | 1,679 |
| Income tax expense (benefit) | 4,725 | 959 | 1,335 | 392 | 1,019 | (379) | 13 |
| Net income (loss) | $ 11,581 | $ (185) | $ (1,624) | $ 3,583 | $ 6,323 | $ 5,988 | $ 1,666 |
| Weighted average diluted shares outstanding | 100,000 | 100,000 | 100,000 | 100,000 | 100,000 | 100,000 | 100,000 |
| Basic and diluted net income (loss) per share | 115.81 | (1.85) | (16.24) | 35.83 | 63.23 | 59.88 | 16.66 |
| Cash dividends per share | 47.35 | 6.74 | 6.96 | 29.90 | 3.13 | 3.63 | 4.55 |

| | September 30, | | December 31, | | | | |
|---|---|---|---|---|---|---|---|
| | 2007 (unaudited) | 2006 (unaudited) | 2006 | 2005 | 2004 (unaudited) | 2003 (unaudited) | 2002 (unaudited) |
| **Consolidated Balance Sheet Data:** | | | | | | | |
| Total assets | $ 182,956 | $ 148,306 | $ 148,157 | $ 124,226 | $ 82,865 | $ 30,206 | $ 12,842 |
| Total current liabilities | 50,763 | 58,830 | 59,794 | 44,915 | 57,622 | 21,565 | 9,657 |
| Total long-term liabilities | 113,464 | 76,069 | 76,661 | 65,365 | 12,780 | 1,696 | 1,147 |
| Stockholders equity | 18,729 | 13,407 | 11,702 | 13,946 | 12,463 | 6,945 | 2,038 |

| | Nine Months Ended September 30, | | Year Ended December 31, | | | | |
|---|---|---|---|---|---|---|---|
| | 2007 (unaudited) | 2006 (unaudited) | 2006 | 2005 | 2004 (unaudited) | 2003 (unaudited) | 2002 (unaudited) |
| **Other Cash Flow Data:** | | | | | | | |
| Cash Flow (used in) from operations | $ (12,629) | $ 1,505 | $ 9,886 | $ (1,116) | $ (16,607) | $ (4,211) | $ (789) |
| Cash Flow used in investing activities | (10,892) | (13,085) | (15,232) | (15,859) | (9,895) | (3,119) | (2,285) |
| Cash Flow from financing activities | 26,600 | 13,432 | 6,001 | 17,428 | 27,756 | 7,706 | 3,500 |
| Effect on cash from exchange rates | 197 | 137 | 177 | (136) | | 0 | 0 |
| Net change in cash | $ 3,276 | $ 1,989 | $ 832 | $ 317 | $ 1,254 | $ 376 | $ 426 |

**Other Consolidated Data (unaudited):**

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| EBITDA (b) | $ 36,618 | $ 15,942 | $ 19,938 | $ 15,603 | $ 11,476 | $ 7,536 | $ 2,828 |

(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.*

**The American Apparel Group of Canada (CI)**

**Selected Historical Combined Financial Information (a)**

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

| | Nine Months Ended September 30, | | | |
|---|---|---|---|---|
| | 2007 CDN $ | 2007 USD $ (c) | 2006 CDN $ | 2006 USD $ (c) |
| | (unaudited) | (unaudited) | (unaudited) | (unaudited) |
| **Combined Statements of Operations:** | | | | |
| Net sales | $ 33,100 | $ 30,017 | $ 25,837 | $ 22,819 |
| Cost of sales | 12,044 | 10,922 | 9,670 | 8,541 |
| Gross profit | 21,056 | 19,095 | 16,167 | 14,278 |
| Operating expenses | 18,294 | 16,590 | 14,988 | 13,238 |
| Income from operations | 2,762 | 2,505 | 1,179 | 1,040 |
| Interest expense | 991 | 899 | 803 | 708 |
| Other expense (income) | | | | |
| Income before income taxes | 1,771 | 1,606 | 376 | 332 |
| Income tax expense | 812 | 735 | 259 | 228 |
| Net Income | $ 959 | $ 871 | $ 117 | $ 104 |
| Weighted average diluted shares outstanding | 2,010 | 2,010 | 1,710 | 1,710 |
| Basic and diluted net income (loss) per share | 477.11 | 433.33 | 68.12 | 60.82 |
| Cash dividends per share | | | | |

| | September 30, | | | |
|---|---|---|---|---|
| | 2007 CDN $ | 2007 USD $ (c) | 2006 CDN $ | 2006 USD $ (c) |
| | (unaudited) | (unaudited) | (unaudited) | (unaudited) |
| **Combined Balance Sheet Data:** | | | | |
| Total assets | $ 17,500 | $ 17,642 | $ 18,239 | $ 16,376 |
| Total current liabilities | 8,471 | 8,539 | 11,727 | 10,529 |
| Total long-term liabilities | 5,882 | 5,930 | 4,690 | 4,211 |
| Shareholders equity | 3,147 | 3,172 | 1,822 | 1,636 |

| | Nine Months Ended September 30, | | | |
|---|---|---|---|---|
| | 2007 CDN $ | 2007 USD $ (c) | 2006 CDN $ | 2006 USD $ (c) |
| | (unaudited) | (unaudited) | (unaudited) | (unaudited) |
| **Other Cash Flow Data:** | | | | |
| Cash Flow from (used in) operations | $ 5,961 | $ 5,406 | $ (117) | $ (103) |
| Cash Flow (used in) investing activities | (2,118) | (1,921) | (937) | (828) |
| Cash Flow from financing activities | (4,146) | (3,760) | 1,032 | 911 |
| Effect on cash from exchange rates | | (14) | | 27 |
| Net change in cash | $ (303) | $ (289) | $ (22) | $ 7 |

| | Nine Months Ended September 30, 2007 CDN $ (unaudited) | 2007 USD $ (c) (unaudited) | 2006 CDN $ (unaudited) | 2006 USD $ (c) (unaudited) |
|---|---|---|---|---|
| **Other Data (unaudited):** | | | | |
| EBITDA (b) | $ 4,125 | $ 3,741 | $ 2,360 | $ 2,084 |

(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 September 30, 2007 and 2006 were converted at an exchange rate of $1.0081 and $0.8979, respectively. Canadian dollars presented for the nine months ended September 30, 2007 and 2006 were converted at an exchange rate of $0.9069 and $0.8832, respectively.

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**The American Apparel Group of Canada (CI)**

**Selected Historical Combined Financial Information (a)**

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

| | Year Ended December 31, | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2006 CDN $ | 2006 USD $ (c) | 2005 CDN $ | 2005 USD $ (c) | 2004 CDN $ (unaudited) | 2004 USD $ (c) (unaudited) | 2003 CDN $ (unaudited) | 2003 USD $ (c) (unaudited) | 2002 CDN $ (unaudited) | 2002 USD $ (c) (unaudited) |
| **Combined Statements of Operations:** | | | | | | | | | | |
| Net sales | $ 34,658 | $ 30,544 | $ 29,283 | $ 23,728 | $ 17,379 | $ 13,384 | $ 11,038 | $ 7,907 | $ 5,835 | $ 3,718 |
| Cost of sales | 12,852 | 11,327 | 11,466 | 9,291 | 8,786 | 6,766 | 6,138 | 4,397 | 4,000 | 2,549 |
| Gross profit | 21,806 | 19,217 | 17,817 | 14,437 | 8,593 | 6,618 | 4,900 | 3,510 | 1,835 | 1,169 |
| Operating expenses | 20,473 | 18,042 | 17,044 | 13,811 | 8,068 | 6,214 | 3,928 | 2,814 | 1,423 | 907 |
| Income from operations | 1,333 | 1,175 | 773 | 626 | 525 | 404 | 972 | 696 | 412 | 262 |
| Interest expense | 1,151 | 1,014 | 642 | 520 | 343 | 264 | 125 | 90 | 47 | 30 |
| Income before income taxes | 182 | 161 | 131 | 106 | 182 | 140 | 847 | 606 | 365 | 232 |
| Income tax expense | 271 | 239 | 138 | 112 | 71 | 55 | 288 | 206 | 140 | 89 |
| Net (loss) income | $ (89) | $ (78) | $ (7) | $ (6) | $ 111 | $ 85 | $ 559 | $ 400 | $ 225 | $ 143 |
| Weighted average diluted shares outstanding | 1,710 | 1,710 | 1,710 | 1,710 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 |
| Basic and diluted net income (loss) per share | (52.05) | (45.61) | (4.09) | (3.51) | 111.00 | 85.00 | 559.00 | 400.00 | 225.00 | 143.00 |
| Cash dividends per share | | | | | | | | | | |

| | December 31, | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2006 CDN $ | 2006 USD $ (c) | 2005 CDN $ | 2005 USD $ (c) | 2004 CDN $ (unaudited) | 2004 USD $ (unaudited) | 2003 CDN $ (unaudited) | 2003 USD $ (c) (unaudited) | 2002 CDN $ (unaudited) | 2002 USD $ (c) (unaudited) |
| **Combined Balance Sheet Data:** | | | | | | | | | | |
| Total assets | $ 18,082 | $ 15,532 | $ 17,297 | $ 14,834 | $ 11,148 | $ 9,275 | $ 6,005 | $ 4,640 | $ 2,631 | $ 1,669 |
| Total current liabilities | 9,152 | 7,862 | 10,756 | 9,225 | 7,812 | 6,499 | 4,226 | 3,265 | 1,579 | 1,002 |
| Total long-term liabilities | 7,228 | 6,205 | 5,073 | 4,350 | 2,046 | 1,702 | 523 | 404 | 314 | 199 |
| Shareholders equity | 1,702 | 1,462 | 1,468 | 1,259 | 1,290 | 1,074 | 1,256 | 971 | 737 | 468 |

| | Year Ended December 31, | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2006 CDN $ | 2006 USD $ (c) | 2005 CDN $ | 2005 USD $ (c) | 2004 CDN $ (unaudited) | 2004 USD $ (c) (unaudited) | 2003 CDN $ (unaudited) | 2003 USD $ (c) (unaudited) | 2002 CDN $ (unaudited) | 2002 USD $ (c) (unaudited) |
| **Other Cash Flow Data:** | | | | | | | | | | |
| Cash Flow from (used in) operations | $ (519) | $ (457) | $ 129 | $ 106 | $ 1,615 | $ 1,241 | $ (1,155) | $ (827) | $ (1,121) | $ (714) |
| Cash Flow used in investing activities | (1,881) | (1,658) | (3,908) | (3,166) | (3,339) | (2,565) | (518) | (371) | (156) | (99) |
| Cash Flow from financing activities | 2,814 | 2,480 | 4,025 | 3,261 | 1,724 | 1,324 | 1,673 | 1,198 | 1,125 | 716 |
| Effect on cash from exchange rates | | (9) | | 12 | | | | | | |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Net change in cash | $ 414 | $ 356 | $ 246 | $ 211 | $ | $ | $ | $ | $ (152) | $ (97) |

| | Year Ended December 31, | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2006 CDN $ | 2006 USD $ (c) | 2005 CDN $ | 2005 USD $ (c) | 2004 CDN $ (unaudited) | 2004 USD $ (c) (unaudited) | 2003 CDN $ (unaudited) | 2003 USD $ (c) (unaudited) | 2002 CDN $ (unaudited) | 2002 USD $ (c) (unaudited) |
| **Other Data (unaudited):** | | | | | | | | | | |
| EBITDA (b) | $ 2,944 | $ 2,595 | $ 1,866 | $ 1,511 | $ 903 | $ 695 | $ 1,039 | $ 744 | $ 449 | $ 286 |

(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, 2004, 2003 and 2002 were converted at an exchange rate of $0.8590, $0.8576, $0.8319, $0.7727 and $0.6344 respectively. Canadian dollars presented for the year ended December 31, 2006, 2005, 2004, 2003 and 2002 were converted at an exchange rate of $0.8813, $0.8103, $0.77014, $0.7163 and $0.6372 respectively.

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**Endeavor Acquisition Corp.**

**Selected Historical Financial Information**

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

| | Nine Months Ended September 30, 2007 (unaudited) | Nine Months Ended September 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 | $ 686 | $ 705 | $ 1,101 | $ 63 |
| Loss from operations | (686) | (705) | (1,101) | (63) |
| Dividend and interest income | 3,264 | 2,898 | 3,974 | 118 |
| Income before provision for income taxes | $ 2,578 | $ 2,193 | $ 2,873 | $ 55 |
| Provision for income taxes | | | 3 | 1 |
| Net income | $ 2,578 | $ 2,193 | $ 2,870 | $ 54 |
| Accretion of trust fund relating to common stock subject to possible conversion | 652 | 580 | 794 | 24 |
| Net income available to common stockholders | $ 1,926 | $ 1,613 | $ 2,076 | $ 30 |
| Weighted average basic shares outstanding | 16,678,713 | 16,668,470 | 16,668,534 | 4,670,245 |
| Weighted average diluted shares outstanding | 16,748,738 | 16,668,470 | 16,668,534 | 4,670,245 |
| Basic income per share | $ 0.12 | $ 0.10 | $ 0.12 | $ 0.01 |
| Diluted income per share | $ 0.11 | $ 0.10 | $ 0.12 | $ 0.01 |

| | September 30, 2007 (unaudited) | September 30, 2006 (unaudited) | December 31, 2006 | December 31, 2005 |
|---|---|---|---|---|
| **Balance Sheet Data:** | | | | |
| Total assets | $ 128,938 | $ 124,822 | $ 125,546 | $ 113,640 |
| Total current liabilities | 1,074 | 214 | 260 | 64 |
| Common stock subject to possible conversion | 25,674 | 24,808 | 25,022 | 22,461 |
| Stockholders equity | 102,190 | 99,800 | 100,264 | 91,115 |

| | Nine Months Ended September 30, 2007 | Nine Months Ended September 30, 2006 | Year Ended December 31, 2006 | Period from July 22, 2005 (Inception) to December 31, |
|---|---|---|---|---|

| | | | | 2005 |
|---|---|---|---|---|
| | (unaudited) | (unaudited) | | |
| **Cash Flow Data:** | | | | |
| Cash Flow from (used in) operations | $ 2,721 | $ 2,462 | $ 3,137 | $ (68) |
| Cash Flow used in investing activities | (3,261) | (11,740) | (12,809) | (112,308) |
| Cash Flow from financing activities | 475 | 8,840 | 8,694 | 113,521 |
| Net change in cash | (65) | (438) | $ (978) | $ 1,145 |

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**Non-GAAP Financial Measures**

*Use of EBITDA*

Endeavor believes that EBITDA provides relevant and useful information for analysts and investors as a non-GAAP operating performance measure. 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.

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; and
- depreciation and amortization.

American Apparel s management uses EBITDA as an important financial measure to assess American Apparel s operating performance. American Apparel s management believes that the presentation of EBITDA included in this proxy statement provides a supplementary non-GAAP operating performance measure to assist readers with the overall evaluation of operating performance and also to assist in the review of results of operations for planning and forecasting certain operations in future periods. The presentation also provides a measurement which industry analysts use when evaluating operating performance and to allow comparisons of operating performance to that of competitors. EBITDA will also be useful for calculating bonuses to be paid to management.

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 of the following material limitations:

- *It does not include interest expense. Because AAI borrowed money to finance its operations, interest expense is a necessary and ongoing part of its costs and has assisted in generating revenue. Therefore, any measure that excludes interest has material limitations.*
- *It does not include taxes. Because the payment of taxes is a necessary and ongoing part of operations, any measure that excludes taxes has material limitations.*
- *It does not include depreciation and amortization expense. Because AAI uses capital assets, depreciation and amortization expense is a necessary element of costs and ability to generate revenue. Therefore, any measure that excludes depreciation and amortization expense has material limitations.*

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).

Since AAI has previously reported non-GAAP segment results to Endeavor s management and the investment community, we believe the inclusion of non-GAAP numbers provides consistency in financial reporting. Lastly, an investor or potential investor may find any one or all these items important in evaluating AAI s performance, its results of operations and financial position. Management compensates for the limitations of using non-GAAP financial measures by using them only to supplement U.S. GAAP results to provide a more complete understanding of the factors and trends affecting AAI s business.

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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:

| | Nine Months Ended September 30, | | Year Ended December 31, | | | | |
|---|---|---|---|---|---|---|---|
| | 2007 (unaudited) | 2006 (unaudited) | 2006 (unaudited) | 2005 (unaudited) | 2004 (unaudited) | 2003 (unaudited) | 2002 (unaudited) |
| Net income (loss) | $ 11,581 | $ (185) | $ (1,624) | $ 3,583 | $ 6,323 | $ 5,988 | $ 1,666 |
| Income taxes | 4,725 | 959 | 1,335 | 392 | 1,019 | (379) | 13 |
| Interest expense | 12,255 | 7,869 | 10,797 | 6,258 | 1,928 | 855 | 671 |
| Depreciation and amortization | 8,057 | 7,299 | 9,430 | 5,370 | 2,206 | 1,072 | 478 |
| EBITDA | $ 36,618 | $ 15,942 | $ 19,938 | $ 15,603 | $ 11,476 | $ 7,536 | $ 2,828 |

*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:

| | Nine Months Ended September 30, | | | |
|---|---|---|---|---|
| | 2007 CDN $ (unaudited) | 2007 USD $ (unaudited) | 2006 CDN $ (unaudited) | 2006 USD $ (unaudited) |
| Net Income | $ 959 | $ 871 | $ 117 | $ 104 |
| Income taxes | 812 | 735 | 259 | 228 |
| Interest expense | 991 | 899 | 803 | 708 |
| Depreciation and amortization | 1,363 | 1,236 | 1,181 | 1,043 |
| EBITDA | $ 4,125 | $ 3,741 | $ 2,360 | $ 2,084 |

| | Year Ended December 31, | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2006 CDN $ (unaudited) | 2006 USD $ (unaudited) | 2005 CDN $ (unaudited) | 2005 USD $ (unaudited) | 2004 CDN $ (unaudited) | 2004 USD $ (unaudited) | 2003 CDN $ (unaudited) | 2003 USD $ (unaudited) | 2002 CDN $ (unaudited) | 2002 USD $ (unaudited) |
| Net income (loss) | $ (89) | $ (78) | $ (7) | $ (6) | $ 111 | $ 85 | $ 559 | 400 | 225 | $ 143 |
| Income taxes | 271 | 239 | 138 | 112 | 71 | 55 | 288 | 206 | 140 | 89 |
| Interest expense | 1,151 | 1,014 | 642 | 520 | 343 | 264 | 125 | 90 | 47 | 30 |
| Depreciation and amortization | 1,611 | 1,420 | 1,093 | 885 | 378 | 291 | 67 | 48 | 37 | 24 |
| EBITDA | $ 2,944 | $ 2,595 | $ 1,866 | $ 1,511 | $ 903 | $ 695 | $ 1,039 | $ 744 | $ 449 | $ 286 |

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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 nine months ended September 30, 2007 and the year ended December 31, 2006 with those of AAI and the CI companies for the nine months ended September 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 September 30, 2007, giving effect to the transactions described in the Acquisition Agreement as if they had occurred on September 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 nine months ended September 30, 2007; and
- separate historical unaudited financial statements of Endeavor for the nine months ended September 30, 2007.

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 approximately $67.8 million assuming a closing on December 14, 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 approximately $67.8 million assuming the acquisition closes on December 14, 2007).

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

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

**SEPTEMBER 30, 2007**

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

| | American Apparel, Inc. USD $ | American Apparel Canada CDN $ | American Apparel Canada USD $ | Inter-company Eliminations USD $ | Combined AA Companies (AAI & CI) USD $ | Endeavor Acquisition Corp. 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 | $ 182,956 | $ 17,500 | $ 17,642 | $ (1,316) | $ 199,282 | $ 128,938 | $ (16,782) | $ 311,438 | $ (25,674) | $ 285,764 |
| Current Liabilities | 50,763 | 8,471 | 8,539 | (1,150) | 58,152 | 1,074 | (14,188) | 45,038 | | 45,038 |
| Long-term debt, net of current portion | 102,106 | 5,004 | 5,045 | | 107,151 | | (4,556) | 102,595 | | 102,595 |
| Capital lease obligations, net of current portion | 3,681 | | | | 3,681 | | | 3,681 | | 3,681 |
| Deferred rent | 7,677 | 878 | 885 | | 8,562 | | | 8,562 | | 8,562 |
| Total stockholders equity | 18,729 | 3,147 | 3,173 | (166) | 21,736 | 127,864 | 1,962 | 151,562 | (25,674) | 125,888 |
| Total liabilities and stockholders equity | $ 182,956 | $ 17,500 | $ 17,642 | $ (1,316) | $ 199,282 | $ 128,938 | $ (16,782) | $ 311,438 | $ (25,674) | $ 285,764 |

*See Unaudited Pro Forma Condensed Combined Financial Statements.*

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

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

**NINE MONTHS ENDED, SEPTEMBER 30, 2007**

**(in thousands of dollars)**

| | American Apparel, Inc. USD $ | American Apparel, Canada CDN $ | American Apparel Canada USD $ | Intercompany Eliminations USD $ | Combined AA Companies (AAI & CI) USD $ | Endeavor Acquisition Corp. USD $ | Pro Forma Adjustments No Conversion USD $ | Pro Forma Combined-No Conversion USD $ |
|---|---|---|---|---|---|---|---|---|
| Net sales | $ 254,837 | $ 33,100 | $ 30,017 | (9,217) | $ 275,637 | $ | $ | $ 275,637 |
| Cost of goods sold | 119,103 | 12,044 | 10,922 | (9,051) | 120,974 | | | 120,974 |
| Gross profit | 135,734 | 21,056 | 19,095 | (166) | 154,663 | | | 154,663 |
| Selling, general and administrative | 108,270 | 18,294 | 16,590 | | 124,860 | 686 | | 125,546 |
| Income (loss) from operations | 27,464 | 2,762 | 2,505 | (166) | 29,803 | (686) | | 29,117 |
| Interest and other (income) expense | 11,158 | 991 | 899 | | 12,057 | (3,264) | (1,531) | 7,262 |
| Income (loss) before income taxes | 16,306 | 1,771 | 1,606 | (166) | 17,746 | 2,578 | 1,531 | 21,855 |
| Income tax provision (benefit) | 4,725 | 812 | 735 | | 5,460 | | (186) | 5,274 |
| Net income (loss) | 11,581 | 959 | 871 | (166) | 12,286 | 2,578 | 1,717 | 16,581 |
| Accretion of trust fund, relating to Common Stock subject to possible conversion | | | | | | 652 | | 652 |
| Net income (loss) available to common stockholders | $ 11,581 | $ 959 | $ 871 | $ (166) | $ 12,286 | $ 1,926 | $ 1,717 | $ 15,929 |

*See Unaudited Pro Forma Condensed Combined Financial Statements.*

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

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

**YEAR ENDED DECEMBER 31, 2006**

**(in thousands of dollars)**

| | American Apparel, Inc. USD $ | American Apparel Canada CDN $ | American Apparel Canada USD $ | Intercompany Eliminations USD $ | Combined AA Companies (AAI & CI) USD $ | Endeavor Acquisition Corp. USD $ | Pro Forma Adjustments No Conversion USD $ | Pro Forma Combined-No Conversion USD $ |
|---|---|---|---|---|---|---|---|---|
| Net sales | $ 264,691 | $ 34,658 | $ 30,546 | $ (10,972) | $ 284,265 | $ | $ | $ 284,265 |
| Cost of goods sold | 138,385 | 12,852 | 11,327 | (10,790) | 138,922 | | | 138,922 |
| Gross profit | 126,306 | 21,806 | 19,219 | (182) | 145,343 | | | 145,343 |
| Selling, general and administrative | 117,006 | 20,473 | 18,044 | | 135,050 | 1,101 | | 136,151 |
| Income (loss) from operations | 9,300 | 1,333 | 1,175 | (182) | 10,293 | (1,101) | | 9,192 |
| Interest and other (income) expense | 9,589 | 1,151 | 1,014 | | 10,603 | (3,974) | (1,415) | 5,214 |
| Income (loss) before income taxes | (289) | 182 | 161 | (182) | (310) | 2,873 | 1,415 | 3,978 |
| Income tax provision (benefit) | 1,335 | 271 | 239 | | 1,574 | 3 | (2,236) | (659) |
| Net income (loss) | (1,624) | (89) | (78) | (182) | (1,884) | 2,870 | 3,651 | 4,637 |
| Accretion of trust fund, relating to Common Stock subject to possible conversion | | | | | | 794 | | 794 |
| Net income (loss) available to common stockholders | $ (1,624) | $ (89) | $ (78) | $ (182) | $ (1,884) | $ 2,076 | $ 3,651 | $ 3,843 |

*See Unaudited Pro Forma Condensed Combined Financial Statements.*

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

**ASSUMING LIM BUYOUT EFFECTED BY ENDEAVOR**

**SEPTEMBER 30, 2007**

**(in thousands of dollars)**

| | American Apparel, Inc. USD $ | American Apparel Canada CDN $ | American Apparel Canada USD $ | Intercompany Eliminations USD $ | Combined AA Companies (AAI & CI) USD $ | Endeavor Acquisition Corp. 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 | $ 182,956 | $ 17,500 | $ 17,642 | $ (1,316) | $ 199,282 | $ 128,938 | $ (84,622) | $ 243,598 | $ (25,674) | $ 217,924 |
| Current Liabilities | 50,763 | 8,471 | 8,539 | (1,150) | 58,152 | 1,074 | (14,188) | 45,038 | | 45,038 |
| Long-term debt, net of current portion | 102,106 | 5,004 | 5,045 | | 107,151 | | (4,556) | 102,595 | | 102,595 |
| Capital lease obligations, net of current portion | 3,681 | | | | 3,681 | | | 3,681 | | 3,681 |
| Deferred rent | 7,677 | 878 | 885 | | 8,562 | | | 8,562 | | 8,562 |
| Total stockholders equity | 18,729 | 3,147 | 3,173 | (166) | 21,736 | 127,864 | (65,878) | 83,722 | (25,674) | 58,048 |
| Total liabilities and stockholders equity | $ 182,956 | $ 17,500 | $ 17,642 | $ (1,316) | $ 199,282 | $ 128,938 | $ (84,622) | $ 243,598 | $ (25,674) | $ 217,924 |

*See Unaudited Pro Forma Condensed Combined Financial Statements.*

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

**ASSUMING LIM BUYOUT EFFECTED BY ENDEAVOR**

**NINE MONTHS ENDED SEPTEMBER 30, 2007**

**(in thousands of dollars)**

| | American Apparel, Inc. USD $ | American Apparel, Canada CDN $ | American Apparel Canada USD $ | Intercompany Eliminations USD $ | Combined AA Companies (AAI & CI) USD $ | Endeavor Acquisition Corp. USD $ | Pro Forma Adjustments No Conversion USD $ | Pro Forma Combined-No Conversion USD $ |
|---|---|---|---|---|---|---|---|---|
| Net sales | $ 254,837 | $ 33,100 | $ 30,017 | (9,217) | $ 275,637 | $ | $ | $ 275,637 |
| Cost of goods sold | 119,103 | 12,044 | 10,922 | (9,051) | 120,974 | | | 120,974 |
| Gross profit | 135,734 | 21,056 | 19,095 | (166) | 154,663 | | | 154,663 |
| Selling, general and administrative | 108,270 | 18,294 | 16,590 | | 124,860 | 686 | | 125,546 |
| Income (loss) from operations | 27,464 | 2,762 | 2,505 | (166) | 29,803 | (686) | | 29,117 |
| Interest and other (income) expense | 11,158 | 991 | 899 | | 12,057 | (3,264) | (1,531) | 7,262 |
| Income (loss) before income taxes | 16,306 | 1,771 | 1,606 | (166) | 17,746 | 2,578 | 1,531 | 21,855 |
| Income tax provision (benefit) | 4,725 | 812 | 735 | | 5,460 | | (186) | 5,274 |
| Net income (loss) | 11,581 | 959 | 871 | (166) | 12,286 | 2,578 | 1,717 | 16,581 |
| Accretion of trust fund, relating to Common Stock subject to possible conversion | | | | | | 652 | | 652 |
| Net income (loss) available to common stockholders | $ 11,581 | $ 959 | $ 871 | $ (166) | $ 12,286 | $ 1,926 | $ 1,717 | $ 15,929 |

*See Unaudited Pro Forma Condensed Combined Financial Statements.*

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

**ASSUMING LIM BUYOUT EFFECTED BY ENDEAVOR**

**YEAR ENDED, DECEMBER 31, 2006**

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

| | American Apparel, Inc. USD $ | American Apparel Canada CDN $ | American Apparel Canada USD $ | Intercompany Eliminations USD $ | Combined AA Companies (AAI & CI) USD $ | Endeavor Acquisition Corp. USD $ | Pro Forma Adjustments No Conversion USD $ | Pro Forma Combined-No Conversion USD $ |
|---|---|---|---|---|---|---|---|---|
| Net sales | $ 264,691 | $ 34,658 | $ 30,546 | $ (10,972) | $ 284,265 | $ | | $ 284,265 |
| Cost of goods sold | 138,385 | 12,852 | 11,327 | (10,790) | 138,922 | | | 138,922 |
| Gross profit | 126,306 | 21,806 | 19,219 | (182) | 145,343 | | | 145,343 |
| Selling, general and administrative | 117,006 | 20,473 | 18,044 | | 135,050 | 1,101 | | 136,151 |
| Income (loss) from operations | 9,300 | 1,333 | 1,175 | (182) | 10,293 | (1,101) | | 9,192 |
| Interest and other (income) expense | 9,589 | 1,151 | 1,014 | | 10,603 | (3,974) | (1,415) | 5,214 |
| Income (loss) before income taxes | (289) | 182 | 161 | (182) | (310) | 2,873 | 1,415 | 3,978 |
| Income tax provision (benefit) | 1,335 | 271 | 239 | | 1,574 | 3 | (2,236) | (659) |
| Net income (loss) | (1,624) | (89) | (78) | (182) | (1,884) | 2,870 | 3,651 | 4,637 |
| Accretion of trust fund, relating to Common Stock subject to possible conversion | | | | | | 794 | | 794 |
| Net income (loss) available to common stockholders | $ (1,624) | $ (89) | $ (78) | $ (182) | $ (1,884) | $ 2,076 | $ 3,651 | $ 3,843 |

*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. The numerator used to calculate the per share data for the annual periods ended December 31, 2004 and 2005 were derived from the summary of selected financial information contained in pages 12 through 16 of the proxy statement. For the year ended December 31, 2006 and for the nine months ended September 30, 2007 the numerator used was based on the information contained in the pro forma financials on pages 95 through 114 of the proxy statement. The denominator used to calculate diluted earnings per share for all periods presented include warrants aggregating 16,160,745 and options aggregating 700,000.

| | December 31, | | | Nine Months Ended |
|---|---|---|---|---|
| | 2004 | 2005 | 2006 | 30-September-07 |
| **Book value per common share:** | | | | |
| AAI Historical | | | | $ 187.29 |
| CI Historical ($US) | | | | $ 1,851.28 |
| Endeavor Historical commenced operations July 22, 2005 | | | | $ 6.13 |
| Pro forma book value per share assuming Mr. Charney effects the Lim buyout: | | | | |
| Assuming no conversions | | | | $ 2.65 |
| Assuming maximum conversions | | | | $ 2.33 |
| Pro forma book value per share assuming Endeavor effects the Lim buyout: | | | | |
| Assuming no conversions | | | | $ 1.46 |
| Assuming maximum conversions | | | | $ 1.08 |
| **Net Income (loss) per common share Basic and Diluted:** | | | | |
| AAI Historical Basic and diluted | $ 63.23 | $ 35.83 | $ (16.24) | $ 115.81 |
| CI Historical Basic and diluted ($US) | $ 85.00 | $ (3.51) | $ (45.61) | $ 433.33 |
| Endeavor Historical basic (commenced operations July 22, 2005) | n/a | $ 0.01 | $ 0.12 | $ 0.12 |
| Endeavor Historical diluted (commenced operations July 22, 2005) | n/a | $ 0.01 | $ 0.12 | $ 0.11 |
| Basic pro forma net income per share assuming Mr. Charney effects the Lim buyout: | | | | |
| Assuming no conversions | $ 0.09 | $ 0.05 | $ 0.07 | $ 0.28 |
| Assuming maximum conversions | $ 0.10 | $ 0.05 | $ 0.07 | $ 0.30 |
| Diluted pro forma net income per share assuming Mr. Charney effects the Lim buyout: | | | | |
| Assuming no conversions | $ 0.07 | $ 0.04 | $ 0.05 | $ 0.22 |
| Assuming maximum conversions | $ 0.08 | $ 0.04 | $ 0.05 | $ 0.22 |
| Basic pro forma net income per share assuming Endeavor effects the Lim buyout: | | | | |
| Assuming no conversions | $ 0.09 | $ 0.05 | $ 0.07 | $ 0.28 |
| Assuming maximum conversions | $ 0.10 | $ 0.05 | $ 0.07 | $ 0.30 |
| Diluted pro forma net income per share assuming Endeavor effects the Lim buyout: | | | | |
| Assuming no conversions | $ 0.07 | $ 0.04 | $ 0.05 | $ 0.22 |
| Assuming maximum conversions | $ 0.08 | $ 0.04 | $ 0.05 | $ 0.22 |
| **Cash dividends per share:** | | | | |
| AAI Historical | $ 3.13 | $ 29.90 | $ 6.96 | $ 45.22 |
| CI Historical ($US) | $ | $ | $ | $ |
| Endeavor Historical commenced operations July 22, 2005 | $ | $ | $ | $ |
| **Pro forma weighted average shares of common stock outstanding (In thousands):** | | | | |
| Basic pro forma weighted average shares outstanding assuming Mr. Charney effects the Lim buyout: | | | | |
| Assuming no conversions | 57,168 | 57,168 | 57,168 | 57,168 |

| | | | | |
|---|---|---|---|---|
| Assuming maximum conversions | 53,937 | 53,937 | 53,937 | 53,937 |
| Diluted pro forma weighted average shares outstanding assuming Mr. Charney effects the Lim buyout: | | | | |
| Assuming no conversions | 74,030 | 74,030 | 74,030 | 74,030 |
| Assuming maximum conversions | 70,797 | 70,797 | 70,797 | 70,797 |
| Basic pro forma weighted average shares outstanding assuming Endeavor effects the Lim buyout: | | | | |
| Assuming no conversions | 57,168 | 57,168 | 57,168 | 57,168 |
| Assuming maximum conversions | 53,937 | 53,937 | 53,937 | 53,937 |
| Diluted pro forma weighted average shares outstanding assuming Endeavor effects the Lim buyout: | | | | |
| Assuming no conversions | 74,030 | 74,030 | 74,030 | 74,030 |
| Assuming maximum conversions | 70,797 | 70,797 | 70,797 | 70,797 |

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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;

- 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 financial, 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. The Federal Trade Commission has stated that for a product to be called Made in USA, or claimed to be of domestic origin without qualifications or limits on the claim, the product must be all or virtually all made in the U.S. The term United States includes the 50 states, the District of Columbia, and the U.S. territories and possessions. All or virtually all means that all significant parts and processing that go into the product must be of U.S. origin. That is, the product should contain no- or negligible foreign content. American Apparel meets the FTC s Made in the USA standard and from the knitting process to the final sewing of a garment, all of the processes are conducted in the US, either directly by American Apparel in its knitting, manufacturing, dyeing and finishing facilities located in Los Angeles or through local commission knitters, dyers and sewers in the Los Angeles metropolitan area and other regions in the US. 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.

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

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

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

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

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

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

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

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

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

American Apparel is subject to regulatory inquiries, claims and suits that arise in the ordinary course of business and is currently involved in litigation incidental to the conduct of its business. American Apparel is

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currently defending two personnel-related claims of harassment, discrimination and/or wrongful termination and a claim of trademark infringement brought by Hanesbrands, Inc. 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 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. See the section entitled *Business of American Apparel Legal Proceedings* for a more detailed discussion of American Apparel s pending litigation.

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

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

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

American Apparel is exposed to the risk of financial non-performance by its customers, primarily in its wholesale business. Sales to wholesale customers represented approximately 56% of total sales for the year ended December 31, 2006 and approximately 51% of total sales for the nine months ended September 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 approximately 7% of sales for the nine months ended September 30, 2007 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.

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**We will incur significant 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 remediate our material weakness in American Apparel s internal control over financial reporting identified by its auditors, which related to American Apparel not having sufficient personnel for its financial reporting responsibilities, which results in the untimely close of its books and records and preparation of financial statements and related disclosures.**

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 September 30, 2007, American Apparel had aggregate indebtedness of approximately $124.7 million. Approximately 42% of this aggregate indebtedness of $124.7 million bears variable interest rates (which ranges from 4.6% to 24%). 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 $62.5 million with an increased revolving credit facility of $75 million from a new bank, which expires on 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 it is refinanced on terms acceptable to the bank in December 2008. Borrowings under the new facility are subject to certain advance provisions established by the bank and are collateralized by substantially all of the assets of American Apparel.

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**Interest costs paid by American Apparel would increase if interest rates increase.**

Approximately 42% of the debt of AAI at September 30, 2007 was at a variable rate. In the event that interest rates rise, the result would be higher interest costs at AAI. Approximately 83% of the debt of CI at September 30, 2007 was at a variable rate (ranging from Canadian Prime Rate + 1% to 18%). In the event that interest rates rise, CI will incur higher interest costs.

**Failure of American Apparel to remain in compliance with certain financial covenants under its financing arrangements could result in the acceleration of its debt repayment obligations.**

The financing agreements between AAI and its lenders contain certain financial covenants relating to AAI s fixed charge coverage ratio, annual capital expense limitations, minimum EBITDA, debt to EBITDA ratios and adjusted debt to EBITDA ratios. Failure of American Apparel to maintain compliance with any of these financial covenants can result in an increase in the interest rate payable under the financing arrangements or acceleration of the outstanding debt in its entirety and may adversely effect the ability of American Apparel to obtain additional financing that may be necessary to effectively grow the business going forward. Prior to July 2, 2007, AAI was in non-compliance under its then existing financing agreements, failing to meet the senior debt to EBITDA ratio test under its revolving credit facility and failing to satisfy the minimum EBITDA test for 2006 as well as the minimum EBITDA test and the maximum senior debt to EBITDA ratio test for the first quarter of 2007 under its term loan agreement with a private investment firm. On July 2, 2007, AAI replaced its existing revolving credit facility with a revolving credit facility agreement with a new bank and the private investment firm agreed to waive past defaults and reset the financial covenants under AAI s term loan agreement. As of September 30, 2007 AAI failed to meet the provisions of certain debt covenants relating to AAI s outstanding indebtedness and transactions with affiliates as set forth in its credit facility agreements and term loan agreement. During November 2007, AAI obtained waivers from its bank and private investment firm for the violations of these covenants. As of the date hereof, AAI is in compliance with all of the financial covenants under each of these financing agreements.

The financing agreement among the CI companies and their lender contain certain financial covenants relating to working capital requirements and debt to net worth ratios. Failure to maintain compliance with those financial covenants may result in additional fees being assessed against the CI companies or acceleration of the outstanding debt in its entirety and may adversely effect the ability of the CI companies to continue operations. At September 30, 2007 and as of the date hereof, the CI companies were not in compliance with the financial covenants of their financing agreement, failing to meet the minimum net working capital test and debt to tangible net worth ratio test. The bank has waived compliance with the obligation to meet these covenants as at September 30, 2007.

**Substantially all of American Apparels assets are used to collateralize its credit facilities, certain term loans and equipment leasing agreements**

Substantially all of American Apparel s assets are used to collateralize its credit facilities, certain term loans and equipment leasing agreements. As of September 30, 2007, these credit facilities consist of AAI s revolving credit facility of $75 million, which is secured by substantially all assets of AAI including cash, inventory and accounts receivable as well as the CI Companies line of credit facility of $4.5 million, which is secured the CI Companies accounts receivable, inventory and all other moveable assets. AAI s term loan agreement with a private investment firm of $61 million also uses substantially all assets of AAI as collateral and names the private investment firm a second lien lender. All of these debt agreements contain various covenants that require the AAI and CI Companies to maintain certain financial ratios and commitments as defined by the agreements. All leasing agreements are collateralized by equipment provided by the leasing arrangement.

In the event of the default on these agreements, substantially all of the assets of AAI and CI Companies would be subject to liquidation by the creditors, which may result in no assets being left available to the stockholders.

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**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 September 30, 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.

**American Apparel may not be able to achieve its estimate of $75 million of EBITDA in 2008.**

There may be several factors that could cause American Apparel to not achieve its estimated 2008 EBITDA including lower sales and insufficient funding that would reduce the number of stores expected to be opened. Lower same store sales growth in 2008 would reduce the cash being generated for working capital. The final amount of funds available to American Apparel from the merger to support its expansion plans is dependant on the number of shareholders that vote against the merger. A large negative vote would severely impact American Apparel s expansion plans. Unexpected operational or expansion costs would reduce the funds available for further expansion. These possibilities would reduce the number of new stores to be opened in 2008 and thus reducing the EBITDA.

**Investors evaluating the proposals described in this proxy statement will not have, prior to the special meeting, certain information relating to compensation arrangements for the officers, directors and employees of the combined companies.**

Significant compensation decisions will be made by Endeavor s board of directors and compensation committee going forward after the acquisition, as generally described in the section entitled *Directors and Executive Officers of Endeavor Following the Acquisition - Executive Compensation.* While it is generally anticipated that American Apparel s current officers and employees (other than Mr. Lim) will continue in the same or substantially the same capacities with American Apparel after the acquisition, none of them, other than Mr. Charney, is entering into a new employment agreement in connection with the acquisition. Accordingly, their compensation arrangements will be subject to review and change from time to time, including in the near term, by the board of Endeavor and its compensation committee following the acquisition. Although the board of directors and compensation committee will have a fiduciary duty to make fair and reasonable compensation decisions, future compensation arrangements cannot be currently quantified and therefore investors must recognize the presently indeterminate nature of this factor in their economic analysis of the acquisition and the related proposals discussed in this proxy statement.

Additionally, although it has been agreed among American Apparel and Endeavor that key officers and employees of American Apparel may be granted cash bonuses in connection with the consummation of the acquisition, neither the pool of eligible officers and employees nor individual bonus awards have been determined as of the date hereof. Bonuses in an aggregate amount of $2.5 million shall be awarded to key officers and employees of American Apparel in recognition of the contributions they have made to the successful completion of the acquisition and overall growth of American Apparel. However, specific details of those awards have not yet been determined and cannot be factored into your evaluation of the transaction.

**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 disclosed in the December 31, 2006 financial statements, 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. As of September 30, 2007, the Company has negative working capital of $944,758, net of $128,374,498 of which is cash held in the Trust Account. On December 18, 2006, the Company entered into an agreement to acquire an operating entity expected to be consummated in 2007. In order for the Company to continue to fund the operating costs associated with the acquisition, the Company s officers have agreed to advance the Company enough capital in order to consummate the acquisition. There can be no assurance that the acquisition will be consummated. Should this Business Combination not be consummated, the Company would be required to return the funds held in the Trust Account to holders of shares issued in the Offering, as a mandatory liquidation, pursuant to a plan of dissolution and liquidation approved by stockholders. These conditions raise substantial doubt about the Company s ability to continue as a going concern. The unaudited condensed interim 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.

**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. On November 1, 2007, the last sale price of a share of Endeavor common stock was $12.30, 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, Endeavor will have 57,168,810 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 74,029,555 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 37,258,065 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. 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 November 1, 2007, 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 $25.7 million, or approximately 20% of the funds then held in the trust account. Any payment upon exercise of conversion rights will reduce Endeavor s cash after the acquisition, which may limit Endeavor s ability to implement American Apparel s business plan.

**Endeavor will effectively be required to consummate the Lim Buyout instead of Mr. Charney and the cash available to the combined companies for use in operations and expansion will therefore be significantly reduced.**

Endeavor will effectively be required to consummate the Lim Buyout instead of Mr. Charney and will purchase all of Mr. Lim s equity interests in the American Apparel companies for cash in the approximate amount of $67.8 million, assuming a closing date of December 14, 2007. As a result, significantly less money will 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.

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

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

**Endeavor s current directors and executive officers own shares of common stock 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.

**The Original Agreement has been amended and restated in its entirety by the Acquisition Agreement to provide for certain modifications to the terms of the acquisition, including eliminating EBITDA thresholds that American Apparel was required to meet and increasing the consideration being paid by Endeavor, which required Endeavor s board to re-evaluate and reaffirm its approval of the transaction. You should base your decision on how to vote on the proposals on the information contained in the definitive proxy statement and not on the information contained in any preliminary proxy statement.**

Under the terms of the Original 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. In addition, Endeavor waived American Apparel s breach of the Original Agreement caused by American Apparel s failure to timely deliver its financial statements for the year ended December 31, 2006 and also waived compliance with American Apparel s obligation to deliver projections of EBITDA for 2007 and 2008. In November 2007, the Original Agreement was amended and restated in its entirety by the Acquisition Agreement to affect the foregoing waivers and adjustments and other changes including increasing the aggregate consideration issuable or payable by Endeavor in the acquisition. As a result, Endeavor s board was required to re-evaluate the acquisition based on these modifications and voted to reaffirm its approval of the transaction. You should base your decision on how to vote on the proposals on the information contained in the definitive proxy statement.

**Endeavor s board did not obtain a fairness opinion with respect to the amended terms of the transaction.**

Although the board of directors of Endeavor obtained an opinion that the acquisition was fair from a financial point of view to the Endeavor stockholders under the original terms agreed to in December 2006, it did not obtain a fairness opinion with respect to the amended terms agreed to in October 2007 given existing time constraints and lack of funds held outside of trust and because the board believed that the terms of the amended deal were in line with those upon which the original fairness opinion was obtained. According, there is no third party opinion as to the fairness to Endeavor s stockholder from a financial point of view of the amended terms of the acquisition for your use in consideration of the acquisition.

**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 $7.97 per share.**

As of November 1, 2007, Endeavor held approximately $128.7 million in the trust account, or approximately $7.97 per share of Endeavor common stock issued for the IPO. If we are unable to complete the business combination with American Apparel by December 15, 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 $7.97 per share.

**If we do not consummate the business combination with American Apparel by December 15, 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 15, 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

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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 71.7% of Endeavor s voting stock. 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 December 12, 2007, and at any adjournment or postponement thereof. This proxy statement is first being furnished to Endeavor s stockholders on or about November , 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 December 12, 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 7,710,000 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 fair to 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 November 16, 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 November 16, 2007, the record date, 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, within the period specified in a notice they will receive from Endeavor, which period will be not less than 20 days, they either have their shares certificated and deliver the certificates to Endeavor s transfer agent or deliver their shares to the transfer agent electronically using Depository Trust Company s DWAC (Deposit Withdrawal at Custodian) System. 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 that are cast at the special meeting. Abstentions 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.

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

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

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

**Voting Your Shares**

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

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

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

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

**IF YOU DO NOT VOTE YOUR SHARES OF ENDEAVOR S COMMON STOCK IN ANY OF THE WAYS DESCRIBED ABOVE AGAINST THE ACQUISITION PROPOSAL, SUCH FAILURE 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 Morrow & Co., Inc., Endeavor s proxy solicitor, at (800) 607-0088, 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 continue to hold their shares through the closing of the meeting and then deliver their shares (either physically or electronically using Depository Trust Company s DWAC (Deposit Withdrawal at Custodian System) to our transfer agent within the period specified in a notice they will receive from Endeavor, which period will be not less than 20 days. 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. 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.

The closing price of Endeavor s common stock on November 16, 2007, the record date, was $12.95 per share and pro rata cash held in the trust account on the record date was approximately $7.97 per share sold in the IPO. 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 3,232,149 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. In such case, or in any other circumstances in which the acquisition is not completed, shares of holders who demand conversion will not be converted to cash. However, in such circumstances, Endeavor will be dissolved and liquidated and all holders of shares issued in its IPO will receive their pro rata share of amounts in the trust account. Although both the per share liquidation price and the per share conversion price are equal to the amount of trust funds in the trust account divided by the number of shares issued in the IPO, the amount a holder of shares issued in the IPO would receive at liquidation may be greater or less than the amount such a holder would have received had it sought conversion of his shares and Endeavor consummates the acquisition because (i) there will be greater earned interest net of taxes in the trust account at the time of a liquidation distribution since it would occur at a later date than a conversion and (ii) Endeavor may incur expenses it otherwise would not incur if Endeavor consummates the acquisition, including, potentially, claims requiring payment from the trust account by creditors who have not waived their rights against the trust account. Eric Watson, our chairman, and Jon Ledecky, our chief executive officer and a director, will be personally liable under certain circumstances (for example, if a vendor successfully makes a claim against funds in the trust account) to ensure that the proceeds in the trust account are not reduced by the claims of prospective target businesses and vendors or other entities that are owed money by us for services rendered or products sold to us. While Endeavor has no reason to believe that Messrs. Watson and Ledecky will not be able to satisfy those obligations, there cannot be any assurance to that effect. See the section entitled *Other Information Related to Endeavor Liquidation If No Business Combination* for additional information.

**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 Morrow & Co., Inc. to assist in the proxy solicitation process. We will pay Morrow & Co., Inc. a fee of approximately $7,000 plus reasonable out-of pocket charges and a flat fee of $3.20 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 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), LLC. after Closing.

In return for all of the capital stock in each of the American Apparel companies, Mr. Charney will receive from Endeavor an aggregate of 37,258,065 shares of Endeavor common stock, subject to downward adjustment if American Apparel s net debt at the close of business on the date two business days prior to the Closing is more than $150,000,000. As of September 30, 2007, such net debt was approximately $124.7 million. Accordingly, it is not anticipated that the shares to be issued to Mr. Charney at the Closing of the acquisition will be adjusted downward. See the section entitled *The Acquisition Agreement Acquisition Consideration Reduction of Shares Based on Net Debt.*

Following the consummation of the acquisition, Endeavor will pay an aggregate of $2.5 million of cash bonuses to key American Apparel officers and employees in recognition of the contributions they have made to the successful completion of the acquisitions and the growth of American Apparel. As of the date of this proxy statement, American Apparel is still reviewing the recommendations of its management team and American Apparel believes that it is premature to include a more definitive breakdown of the awards that may be granted to key personnel. The terms of the Acquisition Agreement require American Apparel to identify those individuals who shall receive cash bonuses, together with the amount of such payments, at or prior to the Closing. In light of this requirement, as well as the ongoing review of the contributions of key personnel to the company, the specific amounts and persons to whom these bonuses will be allocated cannot be set forth herein. 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, Mr. Charney will own approximately 65.2% of the outstanding Endeavor common stock and the current stockholders of Endeavor will own approximately 34.8% of the outstanding Endeavor common stock immediately following the Closing;
- 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, Mr. Charney will own approximately 69.1% of the outstanding Endeavor common stock and the current stockholders of Endeavor will own approximately 30.9% of the outstanding common stock of Endeavor immediately following the Closing.

### Background of the Acquisition

The Original Agreement was executed by the parties thereto as of December 18, 2006. On November 7, 2007, the Acquisition Agreement, which amends and restates the Original Agreement in its entirety, was executed and made effective by the parties thereto. The terms of the Acquisition

Agreement were 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 September 30, 2007, the trust account had $127,374,498 contained therein. Endeavor must liquidate unless it has consummated a business combination by December 21, 2007. As of November 1, 2007, approximately $128.7 million 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. Endeavor did not enter into any agreements with these entities or other parties with respect to the identification of potential acquisition targets other than, in June 2006, retaining Martin Dolfi as a consultant to assist Endeavor s management with day to day operations and the objectives of the company. The consulting agreement terminates on December 15, 2007 and provides for a base annual fee of $125,000, paid in equal monthly installments. Additionally, the consulting agreement provides that Mr. Dolfi will receive 12,500 shares of Endeavor common stock upon consummation of a business combination and an additional 12,500 shares of Endeavor common stock on the six month anniversary of such closing. Mr. Dolfi is also reimbursed for reasonable out of pocket expenses. Neither Endeavor nor American Apparel has any other agreement or arrangement with any such entities or other parties relating to any finder s fees to be paid in connection with the acquisition.

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.

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On January 13, 2006, Jon 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 Eric J. 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. Dolfi, to discuss deal flow. During this meeting between Messrs. Ledecky and Dolfi they discussed the philosophy espoused by Mr. Peter Lynch of investing 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. Prior to this time, Mr. Dolfi had never had any contact with American Apparel and there had been no direct or indirect contact between Endeavor and American Apparel. At the time of this meeting, there existed no affiliations or relationships between any of Endeavor s and American Apparel s respective officers, directors, stockholders or other affiliates.

Mr. Dolfi placed a preliminary call to American Apparel s principal offices in Los Angeles, California on September 10, 2006 and was directed to Mr. Adrian Kowalewski, an executive officer in charge of corporate development for American Apparel. During this call, Messrs. Dolfi and Kowalewski had preliminary discussions as to whether American Apparel would be receptive to a business combination. At this time Endeavor was advised that American Apparel would be interested in receiving additional information about Endeavor and continuing a dialogue. Prior to this initial contact, there had been no contact between American Apparel and Endeavor, its officers, directors, affiliates or any other person on Endeavor s behalf.

On September 11, 2006, Mr. Dolfi sent preliminary information about Endeavor to Mr. Kowalewski. 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

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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. As part of their discussion, Mr. Charney advised Mr. Ledecky that he was currently finalizing long-term negotiations with Mr. Lim, pursuant to which Mr. Charney would purchase of all of Mr. Lim s interest in AAI and LLC for approximately $60 million. Mr. Charney advised Mr. Ledecky that discussions regarding Mr. Charney s buyout of Mr. Lim s interests began in late November/early December of 2005. Preliminary terms were agreed to in principle on or about December 6, 2005. The final terms of the option were negotiated by the parties and their respective counsel on and off for a number of months and the parties, independent of any discussions among American Apparel and Endeavor, finalized their negotiations and executed a definitive option agreement on November 9, 2006. Mr. Charney advised Mr. Ledecky of the possible buyout of Mr. Lim during their initial telephone conversation on October 25, 2006. At that time the negotiations between Messrs. Charney and Lim were substantially complete and the transaction was being reduced to writing. The terms of the final option agreement were: Mr. Lim granted Mr. Charney and AAI, collectively, an option to purchase all of his interests in AAI and LLC for an aggregate purchase price of $60 million. The consideration for the option was $10.00 and the term of the option was set to expire at 5:00 PDT on May 1, 2007.

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 (under the terms of an existing option agreement between Messrs. Charney and Lim, discussed below), 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. The terms were the result of arms-length negotiations by the parties and based on a valuation of American Apparel by Endeavor as discussed in The Acquisition Proposal - Endeavors Board of Directors Reasons for Approval of the Acquisition - Valuation. The equity/cash makeup of the transaction consideration was mutually desired by the parties. Mr. Charney expressed a desire to receive consideration in shares of Endeavor common stock in order to participate in what he believed would be strong growth of the combined companies following the acquisition. Endeavor favored a large stock component as well, believing that equity in the post-acquisition company would favorably incentivize Mr. Charney in his efforts to continue growing American Apparel.

In the initial negotiations between Endeavor and American Apparel, it was maintained by American Apparel that the consideration in the acquisition would need to include $60 million to fund the Lim Buyout. Given its valuation of American Apparel, Endeavor viewed the opportunity to acquire Mr. Lim s position for $60 million cash and to reduce the number of shares of common stock issued in the acquisition favorably. As the option agreement between Messrs. Charney and Lim would expire before the procedures to consummate the acquisition could be completed, an extension of the option was negotiated. In consideration of the extension of the time to exercise the option for the Lim Buyout, it was agreed that the purchase price for Mr. Lim s equity in AAI would be $60 million plus an additional cash 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 that the Lim Buyout is consummated. This total price is referred to as the Lim Payment Amount. It was also agreed that if the Lim Buyout is not consummated by Mr. Charney prior to Closing, Endeavor would effect the Lim Buyout directly by reducing the number of shares of Endeavor common stock to be issued to Mr. Charney by a 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 were 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.

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.

In December 2006, Endeavor retained the services of ICR, LLC as an investor relations consultant to assist Endeavor in developing and disseminating investor presentations and communications. Endeavor pays ICR a fee of $12,000 per month, plus expenses, and will issue ICR 9,700 shares of Endeavor common stock upon Closing. There is no affiliation between ICR and Endeavor or American Apparel or any of their respective officers, directors or stockholders.

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 Original 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

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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, 2006 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 Closing. The draft of the Original 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 the analysis undertaken by Endeavor at length with Endeavor s board 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. The analysis used by Endeavor and presented for consideration by the board was based on a valuation of American Apparel as compared to similar companies, and its growth potential in relation to such valuation. The comparable company analysis was based on revenues and EBITDA of similar companies in the apparel industry as further discussed in the section entitled *The Acquisition Proposal Endeavor s Board of Directors Reasons for Approval of the Acquisition Valuation of Original Terms.*

After considerable review and discussion by the board, it was determined that the consideration to be paid in the acquisition as set forth in the Original Agreement executed in December 2006 was fair and that the acquisition was fair to Endeavor and to its stockholders. The Original 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 Original 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 Original Agreement was signed on December 18, 2006. Immediately thereafter, Endeavor and American Apparel issued a joint press release announcing the execution of the Original Agreement and discussing the terms of the Original Agreement, and on December 20, 2006, Endeavor filed a Current Report on Form 8-K discussing in greater detail the terms of the Original Agreement and American Apparel s business.

In June 2007, Mr. Ledecky was advised by Mr. Charney that American Apparel s business was experiencing greater growth, with existing store sales growing and opportunities to open additional retail stores increasing, than was originally anticipated in December 2006. Mr. Charney expressed concern that the provisions of the Original Agreement would limit American Apparel s ability to exploit and continue this growth. Mr. Charney also noted his belief that the value of American Apparel and its business had increased substantially since the execution of the Original Agreement. After consultation with Mr. Watson and members of the Endeavor board, Mr. Ledecky advised Mr. Charney that Endeavor would take all of the concerns he expressed under advisement and would continue to monitor the financial results of American Apparel.

During the period from July 2007 through October 2007, Endeavor reviewed American Apparel s financial performance for the six month period ended June 30, 2007, and also monitored American Apparel s financial performance subsequent to June 30, 2007. Endeavor also considered American Apparel s need to access capital to fund its operations, new store openings and continued growth prior to the Closing. Endeavor further considered the need to retain and attract employees as American Apparel grows. In this context, Endeavor and American Apparel held various discussions with respect to amending certain terms of the Original Agreement.

In mid-October 2007, Mr. Watson and Mr. Charney met in Paris, France to discuss specific modifications to terms of the Original Agreement including increasing the number of shares to be issued to Mr. Charney to better reflect the value of American Apparel, increasing the net debt American Apparel could undertake prior to Closing to accommodate the need to finance growth opportunities, such as new stores openings, and an increase in the size of the 2007 performance equity plan to enable American Apparel to attract and retain officers qualified to work in a public company structure and employees to support continued growth. It was also noted that as a private company without adequate equity participation plans in place, it has proven difficult for American Apparel to hire certain executive officers it believes it will need as a public company, including a chief operating officer and chief information officer. Mr. Charney requested that the hiring of such officers as a condition to Closing be waived.

During the remainder of October 2007, Messrs. Ledecky and Watson, on behalf of Endeavor, and Messrs. Charney and Kowalewski, on behalf of American Apparel, and their respective counsel, discussed and formulated proposed amended deal terms. When the parties entered into the Original Agreement in December 2006, Endeavor did not have access to final 2006 financial results for American Apparel and had only preliminary projections with respect to 2007. As 2007 has progressed, American Apparel s operations and financial results have materially exceeded the parties expectations upon which the Original Agreement was based and, at the same time, projections for future results have materially increased. As an example, American Apparel experienced third quarter 2007 same-store sales growth of 27% during a period in which other comparable retailers experienced modest growth, demonstrating to Endeavor and the marketplace American Apparel s position as a unique high growth retailer. American Apparel further demonstrated its growth through its revised expectation of adjusted EBITDA for the first nine months of 2007 in excess of $40 million, which was its previous guidance for the entire fiscal 2007 year. Endeavor has strived to be a fair partner to American Apparel throughout the process and American Apparel has acted in kind. Endeavor believes that American Apparel is a materially more valuable business then when the original acquisition agreement was conceived. This despite the fact that American Apparel has not had access to the capital from Endeavor s trust fund within the time period originally expected; indeed, when the parties entered into the original acquisition agreement in December 2006, it was not contemplated that the transaction would take a full year to complete. Given the importance of Mr. Charney to American Apparel s brand identity and continued growth, Endeavor believes that the Endeavor stockholders benefit from the amended transaction terms by allowing Mr. Charney to receive fair value for the company he founded and keeping him dedicated to American Apparel and its growth now and after the acquisition is consummated. On October 26, 2007, Messrs. Ledecky and Watson agreed to present such amended terms to Endeavor s board. See *Important events subsequent to initial board approval Amended terms of the acquisition*.

On October 29, 2007, Endeavor s board of directors met to consider the proposed amended terms of the acquisition. All directors, other than Jay Nussbaum, attended the meeting either in person or telephonically. Mr. Nussbaum was later advised of the resolutions of the board and affirmed them. Also present by invitation were David Alan Miller. Esq., and Brian L. Ross, Esq., of Graubard Miller. Prior to the meeting, copies of drafts of the Acquisition Agreement and revised employment agreement for Mr. Charney were distributed to the meeting attendees. Messrs. Watson and Ledecky discussed at length the significant growth experienced by American Apparel s business during 2007. The board then made an analysis of the proposed amended terms of the acquisition to determine if the consideration to be paid by Endeavor in the acquisition was still fair from a financial point of view to Endeavor s stockholders, as well as to determine the fair market value of American Apparel. The analysis used by the board was similar to that it utilized when first considering the transaction in December 2006 and was based on a valuation of American Apparel as compared to similar companies and its growth potential in relation to such valuation. The comparable company analysis was based on revenues and EBITDA of such similar companies in the apparel industry as further discussed in the section entitled *The Acquisition Proposal Endeavor s Board of Directors Reasons for Approval of the Acquisition Important events subsequent to initial board approval.*

After considerable review and discussion by the board, it was determined that the consideration to be paid pursuant to the Acquisition Agreement was fair and that the acquisition was fair to Endeavor and to its stockholders. The Acquisition Agreement and related documents were unanimously approved and the board decided to recommend the approval of the acquisition to the stockholders of Endeavor.

The Acquisition Agreement was executed as of November 7, 2007. On November 8, 2007, 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 November 9, 2007, Endeavor filed a Current Report on Form 8-K discussing in greater detail the terms of the Acquisition Agreement and American Apparel s business.

Other than the shares issuable to Mr. Dolfi and ICR, 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 a comparable company analysis 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.

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.

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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.

The historical financial information and financial projections provided to Endeavor by American Apparel subsequent to the execution of the Original Agreement have included:

- audited financial statements for the years ended December 31, 2006 and 2005;
- unaudited financial statements for the year ended December 31, 2004;
- unaudited financial statements for the three months ended March 31, 2007;
- unaudited financial statements for the six months ended June 30, 2007; and
- preliminary unaudited financial statements for the nine months ended September 30, 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 27.3% 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 22.5% 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 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.

*Certain Projections Provided by American Apparel*

In its evaluations of the potential acquisition of American Apparel, Endeavor considered various projections provided to it by American Apparel, comprised principally of revenue and EBITDA projections for 2006, 2007 and 2008. Endeavor compared these revenue and EBITDA projections for American Apparel to publicly available revenue and EBITDA estimates for the same time periods for public companies in the apparel industry. Endeavor compared the relationship between overall enterprise value as publicly reported for each comparable public company to such comparable company s projected revenues and EBITDA to determine the multiples being given by the public market to such companies in relation to their respective revenues and EBITDA.

Projections used for original deal terms.

The projections provided by American Apparel to Endeavor during the due diligence period prior to execution of the Original Agreement in December 2006 (the 2006 projections ) consisted of information relating to American Apparel s projected revenue and EBITDA for the years then ending December 31, 2006 and December 31, 2007. American Apparel also provided projections with respect to the number of retail stores it would have open by the end of 2006.

Prior to execution of the Original Agreement, American Apparel projected consolidated revenues of approximately $275 million for the year ending December 31, 2006 and approximately $355 million for the year ending December 31, 2007. These projections demonstrated a continuance of the trend of growth evidenced by American Apparel s consolidated revenues of approximately $40 million, $82 million, $136 million and $208 million in the years ended December 31, 2002, 2003, 2004 and 2005, respectively. Actual consolidated revenues for American Apparel for the year ended December 31, 2006 were approximately $284 million. Actual consolidated revenues for American Apparel for the nine months ended September 30, 2007 were approximately $276 million.

American Apparel projected consolidated EBITDA of approximately $30 million for the year then ending December 31, 2006 and approximately $50 million for the year ending December 31, 2007 giving effect to

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adjustments as is described below in the section entitled *Certain Adjustments Considered by Endeavor*. These projections demonstrated a continuance of the trend of growth evidenced by American Apparel s consolidated EBITDA of approximately $3 million, $8 million, $12 million and $17 million in the years ended December 31, 2002, 2003, 2004 and 2005, respectively. Without adjustment, actual consolidated EBITDA for American Apparel for the year ended December 31, 2006 was approximately $22.4 million. Actual consolidated EBITDA for American Apparel for the six months ended June 30, 2007 was approximately $24.1 million. These amounts give no effect to the adjustments required under the Acquisition Agreement. See the section below entitled *Certain Adjustments Considered by Endeavor* for a discussion of the adjustments considered by Endeavor in its evaluation of American Apparel.

American Apparel projected that it would have 143 retail stores opened at December 31, 2006. These projections demonstrated a continuance of the trend of growth evidenced by American Apparel having 103 retail stores, 38 retail stores, 3 retail stores and no retail stores opened at December 31, 2005, 2004, 2003 and 2002, respectively.

<u>Projections used for amended and restated deal terms</u>.

In September and October 2007 American Apparel provided Endeavor with updated projections. These projections were utilized by the parties in connection with formulating the amended terms of the Acquisition Agreement.

American Apparel projected consolidated revenues of approximately $365 million for the year ending December 31, 2007. This projection demonstrated a continuance of the trend of growth evidenced by American Apparel s consolidated revenues of approximately $40 million, $82 million, $136 million, $208 million and $284 million in the years ended December 31, 2002, 2003, 2004, 2005 and 2006, respectively. Actual consolidated revenues for American Apparel for the nine months ended September 30, 2007 were approximately $275.6 million.

American Apparel projected consolidated EBITDA of approximately $57 million for the year then ending December 31, 2007 and approximately $75 million for the year ending December 31, 2008 giving effect to certain adjustments considered by Endeavor. These projections demonstrated a continuance of the trend of growth evidenced by American Apparel s consolidated EBITDA of approximately $3 million, $8 million, $12 million, $17 million and $24.1 million in the years ended December 31, 2002, 2003, 2004, 2005 and 2006, respectively. Actual consolidated EBITDA for American Apparel for the nine months ended September 30, 2007 was approximately $35.0 million. See the subsection below entitled *Certain Adjustments Considered by Endeavor* for a discussion of the adjustments considered by Endeavor in its evaluation of American Apparel.

American Apparel projected that it would have 176 retail stores opened at December 31, 2007. These projections demonstrated a continuance of the trend of growth evidenced by American Apparel having 149 retail stores, 103 retail stores, 38 retail stores, 3 retail stores and no retail stores opened at December 31, 2006, 2005, 2004, 2003 and 2002, respectively.

The projections provided by American Apparel were only estimates based on information available to American Apparel at the time they were made and based on reasonable assumptions made on such information. The foregoing summary of these projections are included solely to provide reader of this proxy statement with background information on the information considered by Endeavor and its board in connection with their evaluation of American Apparel and its operations and, solely with respect to the 2006 projections, by Jefferies in its analyses described below in the section entitled Opinion of Jefferies & Company, Inc. Investors should not rely on these projections as estimates of future results of American Apparel or the combined companies following consummation of the acquisition and should not place undue reliance on these projections when evaluating the proposals to be presented at the special meeting of Endeavor s stockholders.

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*Valuation of original terms*

In its evaluation of the original terms of the acquisition as contemplated by the Original Agreement, 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. As part of such analysis, the board looked at comparable companies and based on the valuation of these companies in terms of expected 2006 revenues, 2006 expected EBITDA and projected 2007 EBITDA, the board calculated the expected initial valuation of American Apparel in the public market. Endeavor presented its board with information regarding certain publicly-traded companies that compete in American Apparel s markets, as follows:

| | | | | EBITDA | | EV / EBITDA | | | |
|---|---|---|---|---|---|---|---|---|---|
| **Company** | **Enterprise Value (1)** | **Revenue CY2006E (2)** | **EV / Revenue CY2006E (2)** | **CY2006E (2)** | **CY2007E (2)** | **CY2006E (2)** | **CY2007E (2)** | **Annual Sales (3)** | **Net Income (3)** |
| | | | | | **(in millions)** | | | | |
| Abercrombie & Fitch Co. (Cl A) | $ 6,017.3 | $ 3,325.7 | 1.8x | $ 801.2 | $ 924.3 | 7.5x | 6.5x | $ 3,140.8 | $ 388.5 |
| American Eagle Outfitters Inc. | 10,517.9 | 2,732.2 | 3.8 | 667.5 | 738.7 | 15.8 | 14.2 | 2,577.5 | 344.3 |
| bebe Stores Inc. | 1,629.0 | 702.1 | 2.3 | 153.7 | 190.5 | 10.6 | 8.6 | 610.0 | 80.7 |
| Chico s FAS Inc. | 3,614.6 | 1,629.0 | 2.2 | 346.0 | 401.0 | 10.4 | 9.0 | 1,580.0 | 192.9 |
| dELiA*s Corp. | 327.7 | 253.0 | 1.3 | 10.3 | 19.3 | 31.8 | 17.0 | 246.6 | 3.7 |
| Guess? Inc. | 2,759.6 | 1,149.8 | 2.4 | 203.2 | 245.7 | 13.6 | 11.2 | 1,115.4 | 103.3 |
| H & M Hennes & Mauritz AB | 39,064.2 | 11,539.3 | 3.4 | 2,794.6 | 3,180.7 | 14.0 | 12.3 | 8,966.8 | 1,374.1 |
| Inditex S.A. | 33,840.3 | 10,996.0 | 3.1 | 2,846.8 | 3,321.6 | 11.9 | 10.2 | 9,072.0 | 1,541.8 |
| J. Crew Group Inc. | 2,148.6 | 1,131.2 | 1.9 | 158.2 | 187.3 | 13.6 | 11.5 | 1,075.4 | 32.9 |
| Urban Outfitters Inc. | 3,964.8 | 1,229.5 | 3.2 | 219.9 | 278.1 | 18.0 | 14.3 | 1,182.5 | 116.1 |
| Zumiez Inc. | 792.7 | 284.2 | 2.8 | 32.1 | 55.0 | 24.7 | 14.4 | 261.2 | 16.9 |
| **American Apparel** | | **$ 285.7** | | **$ 30.0** | **$ 50.0** | | | **$ 264.7** | **($ 1.9)** |
| **Mean** | | | **2.6x** | | | **15.6x** | **11.7x** | | |
| **Median** | | | **2.4x** | | | **13.6x** | **11.5x** | | |

(1) Enterprise Value was obtained for each company by adding its short and long term debt to the sum of the market value of its common equity (stock prices as of December 12, 2006) and the book value of any minority interest, and subtracting its cash and cash equivalents.

(2) Based on average estimates as reported by Institutional Brokers Estimate System (IBES) and based on stock prices as December 12, 2006.

(3) Historical figures based on SEC company filings and exclude extraordinary and non-recurring charges as of December 12, 2006 except figures for American Apparel, which were based on information provided by American Apparel in December 2006.

Specifically, for each comparable company, the board:

- analyzed the enterprise value for each comparable company;

- compared such enterprise value to such comparable company s estimated revenues for 2006 and estimated EBITDA for 2006 and 2007, as published by Institutional Brokers Estimate System (IBES), a system that gathers and compiles estimates published by analysts for the majority of U.S. public companies;

- divided such enterprise value by such 2006 revenue projections to determine the multiple to 2006 revenues at which the public market was valuing such comparable company ( 2006 revenue multiple );

divided such enterprise value by 2006 EBITDA projections to determine the multiple to 2006 EBITDA at which the public market was valuing the company ( 2006 EBITDA multiple );

divided such enterprise value by 2007 EBITDA projections to determine the multiple to 2007 EBITDA at which the market was valuing the company ( 2007 EBITDA multiple )

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The board then examined the 2006 revenue multiples, 2006 EBITDA multiples and 2007 EBITDA multiples for all of the comparable companies to determine the median 2006 revenue, 2006 EBITDA and 2007 EBITDA multiples of all the companies.

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 $686 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.

In December 2006, Endeavor s board calculated that the valuation of maximum consideration payable to American Apparel s stockholders amounted to approximately $362.5 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, and
- $2.5 million of cash bonuses to be paid to key American Apparel employees following closing of the acquisition.

In its December 2006 evaluation of American Apparel, Endeavor considered the net losses experience by AAI in 2006 and CI in 2005 and 2006. Endeavor, however, determined that the growth prospects of American Apparel outweighed these concerns based on certain factors, including Endeavor s belief that:

- AAI had the ability to further enhance margins due to learned operating efficiencies and a lower cost structure primarily driven by future volume purchase discounts, bargaining power with vendors and 100% utilization of its factory, which would help absorb overhead going forward;
- in 2005, related party management fees of approximately $1.9 million were the primary cause of the net losses reported by CI, which was approximately $6,000 with an EBITDA of approximately $1.6 million; and
- in 2006, related party management fees of approximately $2.0 million were the primary cause of the net losses reported by CI, which was approximately $78,000 with an EBITDA of approximately $2.6 million.

In its December 2006 evaluation of American Apparel, Endeavor considered American Apparel s debt servicing obligations. Endeavor determined that American Apparel had adequate cash flows to service these obligations, as well as the ability to obtain replacement financing on more favorable terms both before the acquisition was consummated and after. The amount of American Apparel s indebtedness was also considered in connection with the determination of the consideration to be paid by Endeavor in the acquisition, with a downward adjustment in the number of shares to be issued by Endeavor at closing if American Apparel s net debt at closing exceeded $110 million. See the section entitled The Acquisition Agreement Acquisition Consideration Reduction of Shares Based on Net Debt.

The board noted that if Mr. Charney failed to consummate the Lim Buyout under the Original Agreement, 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

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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 Original 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 agreed to by Endeavor in the Original 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 $9.9 million and are set forth in *Certain Adjustment Considered by Endeavor.* 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.

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, the board concluded that American Apparel had a value of $460 million. The board found that the acquisition was still fair and affirmed its approval of the Original 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 the board affirmed the acquisition. On that date Jefferies made a presentation to Endeavor s board of directors concerning the financial terms of the acquisition as provided by the Original Agreement 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 that was to be paid by Endeavor under the terms of the Original 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.*

*Amended terms of the acquisition*

In October 2007, American Apparel provided Endeavor with updated financial projections, including projected revenues for the year ending December 31, 2007 of $365 million, EBITDA of $57 million for the year ending December 31, 2007 and EBITDA of $75 million for the year ending December 31, 2008 giving effect to the type of adjustments described in the section entitled Certain Adjustments Considered by Endeavor. Based on the foregoing, the parties discussed amending the terms of the transaction.

On October 29, 2007, the board of directors of Endeavor met to consider the Acquisition Agreement to, among other things,

- substitute a limited liability company for a corporation to serve as the Merger Sub;
- increase the number of shares of Endeavor being issued to Mr. Charney at the Closing from 32,258,065 to 37,258,065;
- provide that if Mr. Charney does not affect the Lim Buyout prior to Closing and Endeavor is therefore required to affect the Lim Buyout, the shares issuable to Mr. Charney in the acquisition would not be reduced as provided in the Original Agreement;
- increase the level of American Apparel s net debt above which there would be a downward adjustment in the number of shares issued to Mr. Charney at Closing from $110 million to $150 million;
- increase the size of the 2007 performance equity plan from 2,710,000 shares to 7,710,000 shares and to provide that stock awards for an aggregate of 2,710,000 shares would be allocated and issued thereunder after Closing and upon filing of an effective registration statement on Form S-8; and
- eliminate as a closing condition the hiring of a chief financial officer, chief operations officer and chief information officer.

At the October 29, 2007 meeting, the board calculated that the valuation of maximum consideration payable to American Apparel s stockholders under the Acquisition Agreement as amended and restated amounted to approximately $516.1 million, comprised of:

- $295.8 million of Endeavor common stock (37,258,065 shares at a price of $7.94 per share based on then current per-share trust value);
- $150 million of assumed American Apparel indebtedness.
- $67.8 million cash to be paid to Mr. Lim for his equity in American Apparel.
- $2.5 million of cash bonuses.

The board utilized the same processes and metrics as when it first approved the acquisition on December 18, 2006 and affirmed it on April 2, 2007 as described on pages 58 to 64 of this proxy statement.

After discussion with Jefferies, the board of directors of Endeavor determined to forego obtaining a new fairness opinion in connection with the Acquisition Agreement given the limited time remaining to consummate the acquisition prior to the date Endeavor would be required to liquidate and Endeavor s lack of remaining funds outside the trust. In evaluating the amended terms of the transaction, Endeavor s board considered the value of American Apparel based on actual 2007 results and the revised projections and concluded, using the board s business judgment, that the amended deal terms were fair and would provide a foundation that ensured that Mr. Charney remained dedicated to the growth and success of combined companies following consummation of the acquisition. While the board determined not to obtain a fairness opinion with respect to the revised transaction terms, it did evaluate the approach used in the original fairness opinion and the valuation metrics utilized therein and determined that revised deal terms fell within appropriate metric ranges. As an example, under the fairness opinion analysis, the blended multiple of comparable companies utilized by Jefferies for the 2007 EBITDA metric (as discussed on page 77 of the proxy) was 9.4x and 11.4x. Using this same multiple range based on revised 2007 EBITDA projections provided by American Apparel of $57 million, the implied valuation would be in a range of $536 million to $650 million. The Implied Consideration Value in the amended deal would be 37.3 million shares (at $7.94 per share trust value), $150 million of debt and $2.5 million of cash bonuses, plus the $67.9 million to be paid in the Lim Buyout, for a total of approximately $516.1 million. This gave the board an additional level of comfort in concluding that the revised deal was fair.

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*Valuation of revised terms*

The board looked at the same comparable companies it reviewed in December 2006 and, based on the valuation of these companies in terms of expected 2007 revenues, 2007 expected EBITDA and projected 2008 EBITDA, the board calculated the expected initial valuation of American Apparel in the public market. Endeavor presented its board with information regarding these companies as follows:

| Company | Enterprise Value (1) | Revenue CY2007E (2) | EV / Revenue CY2007E (2) | EBITDA CY2007E (2) | EBITDA CY2008E (2) | EV / EBITDA CY2007E (2) | EV / EBITDA CY2008E (2) | Annual Sales (3) | Net Income (3) |
|---|---|---|---|---|---|---|---|---|---|
| | (in millions) | | | | | | | | |
| Abercrombie & Fitch Co. (Cl A) | $ 6,474 | $ 3,791 | 1.7x | $ 892 | $ 1,033 | 7.3x | 6.3x | $ 3,549 | $ 442 |
| American Eagle Outfitters Inc. | 4,313 | 3,121 | 1.4 | 736 | 821 | 5.9 | 5.3 | 2,985 | 411 |
| bebe Stores Inc. | 977 | 708 | 1.4 | 129 | 148 | 7.6 | 6.6 | 828 | 98 |
| Chico s FAS Inc. | 2,030 | 1,811 | 1.1 | 330 | 376 | 6.1 | 5.4 | 1,742 | 147 |
| dELiA*s Corp. | 106 | 279 | 0.4 | 7 | 16 | 15.9 | 6.7 | 267 | 2 |
| Guess? Inc. | 4,577 | 1,452 | 3.2 | 301 | 382 | 15.2 | 12.0 | 1,529 | 175 |
| H & M Hennes & Mauritz AB | 50,539 | 12,362 | 4.1 | 3,244 | 3,756 | 15.9 | 13.8 | 11,757 | 1,995 |
| Inditex S.A. | 43,252 | 13,814 | 3.1 | 3,084 | 3,642 | 13.9 | 11.8 | 12,601 | 1,582 |
| J. Crew Group Inc. | 2,328 | 1,313 | 1.8 | 210 | 248 | 11.1 | 9.4 | 1,205 | 115 |
| Urban Outfitters Inc. | 3,662 | 1,450 | 2.5 | 265 | 340 | 13.8 | 10.8 | 1,332 | 131 |
| Zumiez Inc. | 1,259 | 388 | 3.2 | 59 | 78 | 21.4 | 16.2 | 345 | 23 |
| **American Apparel** | | **$ 365** | | **$ 57** | **$ 75** | | | **$ 322** | **$ 3** |
| **Mean** | | | **2.2x** | | | **12.2x** | **9.5x** | | |
| **Median** | | | **1.8x** | | | **13.8x** | **9.4x** | | |

(1) Enterprise Value was obtained for each company by adding its short and long-term debt to the sum of the market value of its common equity (stock prices as of October 26, 2007) and the book value of any minority interest, and subtracting its cash and cash equivalents.

(2) Based on average estimates as reported by Institutional Brokers Estimate System (IBES) and stock prices as of October 26, 2007.

(3) Historical figures based on last twelve months as reported in SEC company filings and exclude extraordinary and non-recurring charges as of October 26, 2007, except figures for American Apparel, which were based on information provided by American Apparel in October 2007.

Specifically, for each comparable company, the board:

- analyzed the enterprise value for each comparable company;

- compared such enterprise value to such comparable company s estimated revenues for 2007 and estimated EBITDA for 2007 and 2008, as published by Institutional Brokers Estimate System (IBES), a system that gathers and compiles estimates published by analysts for the majority of U.S. public companies;

- divided such enterprise value by such 2007 revenue projections to determine the multiple to 2007 revenues at which the public market was valuing such comparable company ( 2007 revenue multiple );

divided such enterprise value by 2007 EBITDA projections to determine the multiple to 2007 EBITDA at which the public market was valuing the company ( 2007 EBITDA multiple ); and

divided such enterprise value by 2008 EBITDA projections to determine the multiple to 2008 EBITDA at which the market was valuing the company ( 2008 EBITDA multiple ).

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The board then examined the 2007 revenue multiples, 2007 EBITDA multiples and 2008 EBITDA multiples for all of the comparable companies to determine the median 2007 revenue, 2007 EBITDA and 2008 EBITDA multiples of all the companies. This analysis revealed that the median valuation of the aforementioned comparable companies was approximately 1.8 times expected 2007 revenues, 13.8 times expected 2007 EBITDA and 9.4 times projected 2008 EBITDA. Based on these multiples, American Apparel would have a value range of between $647 million (based on 2007 expected revenues) and $788 million (based on 2007 projected EBITDA). 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 compared to a value of $788 million using American Apparel s updated financial projections and current 2007 EBITDA multiples described above.

The board found that the acquisition was still fair and affirmed its approval of the Acquisition Agreement and the acquisition based on the revised financial information presented to it.

**Certain Adjustments Considered by Endeavor**

In connection with its evaluation of American Apparel and its operations and financial results, and the negotiation of the Acquisition Agreement, Endeavor wanted a mechanism in place that ensured American Apparel was continuing to demonstrate growth prior to consummation of the acquisition process. At the same time, the parties acknowledged that American Apparel would need to take certain actions and incur certain costs as it positioned itself to become part of a public company, such as audits of certain of its financial results. Endeavor also believed it reasonable to evaluate American Apparel s growth without regard to certain charges.

Under the terms of the Original 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 related-party management fee, 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 and other adjustments described below.

These adjustments were as follows:

| | Nine Months Ended September 30, 2007 | Year Ended December 31, 2006 |
|---|---|---|
| **Related-party adjustment fee** | $ 2,721 | $ 7,045 |
| **Add-backs** | | |
| Deferred rent | $ 1,117 | $ 2,093 |
| Litigation expense | | 1,120 |
| Total add-backs | $ 1,117 | $ 3,213 |
| **Exclusions:** | | |
| Workers compensation adjustment | $ | $ 520 |
| Inventory obsolescence | | 3,484 |
| Business combination expenses not capitalized | 979 | |
| Total exclusions | $ 979 | $ 4,004 |
| **Additional add-backs:** | | |
| Legal fees related to abandoned financing attempts | $ | $ 277 |
| Accounting fees related to abandoned financing attempts | | 138 |
| Financial consulting fees related to senior debt defaults | | 287 |
| Total additional add-backs | $ | $ 702 |

| | | | | |
|---|---|---|---|---|
| **Total Adjustment** | $ | 4,817 | $ | 9,964 |

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See the section entitled *Selected Summary Historical and Pro-Forma Consolidated Financial Information Non-GAAP Financial Measures* for a discussion of American Apparel s use of EBITDA and reconciliations to GAAP financial measures.

**Other positive 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 by Endeavor**

Endeavor s board evaluated several potential adverse factors in its consideration of the acquisition of American Apparel. These included:

*Pending litigation against American Apparel.* Endeavor noted that American Apparel was a party to various litigations and other proceedings. As part of its due diligence investigation, Endeavor reviewed all of the outstanding and pending proceedings 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. The various proceedings were characterized by American Apparel as typical of the type of proceedings that arise in the course of business of a company of the size and type of American Apparel. Endeavor was advised by American Apparel that several claims were scheduled to be settled in the near-term and the potential damages in the other proceedings were currently viewed as insignificant relative to the size of American Apparel s business. See the section entitled *Business of American Apparel Legal Proceedings*.

*American Apparel s non-compliance under financing facilities.* Endeavor examined American Apparel s debt structure. Endeavor concluded that the debt level was reasonable in the context of American Apparel s business and growth plan. Endeavor concluded that American Apparel s credit facilities could be readily replaced on commercially reasonable terms or repaid in part after closing without materially impacting American Apparel s ability to achieve its business and growth plan. See the section entitled *American Apparel s Management Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources.*

*American Apparel s net losses.* In its evaluation of American Apparel, Endeavor considered the net losses experience by AAI in 2006 and CI in 2005 and 2006. Endeavor, however, determined that the growth prospects of American Apparel outweighed these concerns based on certain factors, including Endeavor s belief that:

AAI had the ability to further enhance margins due to learned operating efficiencies and a lower cost structure primarily driven by future volume purchase discounts, bargaining power with vendors and 100% utilization of its factory, which would help absorb overhead going forward;

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in 2005, related party management fees of approximately $1.9 million were the primary cause of the net losses reported by CI, which was approximately $6,000 with an EBITDA of approximately $1.6 million; and

in 2006, related party management fees of approximately $2.04 million were the primary cause of the net losses reported by CI, which was approximately $78,000 with an EBITDA of approximately $2.6 million.

*American Apparel s level of indebtedness.* In its evaluation of American Apparel, Endeavor considered American Apparel s debt servicing obligations. Endeavor determined that American Apparel had adequate cash flows to service these obligations, as well as the ability to obtain replacement financing on more favorable terms both before the acquisition was consummated and after. The amount of American Apparel s indebtedness was also considered in connection with the determination of the consideration to be paid by Endeavor in the acquisition, with a downward adjustment in the number of shares to be issued by Endeavor at closing if American Apparel s net debt at closing exceeded $110 million. See the section entitled *The Acquisition Agreement Acquisition Consideration Reduction of Shares Based on Net Debt.*

**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, at the time the board considered the amendment to the Acquisition Agreement, it valued American Apparel in a range of approximately $647 million to $788 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 Original 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.

**Interests of Endeavor s and American Apparel 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

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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 by December 15, 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 $46,125,000 based on the last sale price of $12.30 on the American Stock Exchange on November 1, 2007.

Through November 1, 2007, Endeavor has borrowed an aggregate of $575,000 from Messrs. Watson and Ledecky, Endeavor s current chairman of the board and president, respectively, and their affiliates. These loans are unsecured, non-interest bearing and will be repaid on the earlier of the consummation by Endeavor of a business combination or upon demand by Messrs. Ledecky and Watson; provided, however, that if a business combination is not consummated, Endeavor will be required to repay the loans only to the extent it has sufficient funds available to it outside of the trust account.

If we are unable to complete a business combination and are forced to liquidate, Messrs. Watson and Ledecky will be personally liable under certain circumstances (for example, if a vendor does not waive any rights or claims to the trust account) to ensure that the proceeds in the trust account are not reduced by the claims of certain prospective target businesses and vendors or other entities that are owed money by us for services rendered or products sold to us. As of November 16, 2007, the record date, the estimated value of Mr. Watson s and Mr. Ledecky s obligation, excluding $575,000 loaned to the Company to date, is $494,168, based on cash held outside the trust account of $54,959 and $549,127 owed to parties who have not waived claims against the trust account. We cannot assure you that Messrs. Watson and Ledecky will be able to satisfy those obligations in the event the acquisition is not consummated and Endeavor is required to liquidate. While the other officers and directors of Endeavor would be obligated to take steps, including legal action, to enforce the indemnification obligations, there can be no assurance that any such steps will be successful. If Messrs. Watson and Ledecky ultimately do not satisfy their indemnification obligations, the creditors that have not waived their right to make claims against the trust account and successfully establish their claims will be entitled to receive payment from the trust account and payments to them would reduce the amount in the trust account that would be available for distribution to the holders of shares issued in the IPO.

None of Endeavor s current directors or officers or employees will continue with Endeavor or American Apparel following the acquisition. The current officers and directors of AAI and the CI companies, other than Mr. Lim, are expected to continue in their current or substantively similar offices and retain board memberships with AAI and the CI companies after the acquisition. This includes Mr. Charney, AAI s current chief executive officer and president, who also will become the chairman of the board, chief executive officer and president of Endeavor upon consummation of the acquisition. This also includes Adrian Kowalewski, AAI s current director of corporate finance and development, who also will become a member of Endeavor s board of directors. Ken Cieply, AAI s current chief financial officer, and Martin Bailey, AAI s current president of manufacturing, also will remain in similar or identical positions with AAI following the acquisition. None of American Apparel s officers or directors currently has an employment agreement and is not entering into any employment agreement in connection with the acquisition, other than Mr. Charney. The terms of Mr. Charney s employment agreement are described in the section entitled *Directors and Executive Officers of Endeavor Following the Acquisition Employment Agreement and Non-Competition Covenants.* The employment arrangements between AAI and the CI companies and their respective officers and employees shall be subject to the review and authority of Endeavor s board of directors and compensation committee. See the section entitled *Risk Factors Investors evaluating the proposals described in this proxy statement will not have, prior to the special meeting, certain information relating to compensation arrangements of officers, directors and employees of the combined companies.*

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The officers and directors of American Apparel have interests in the acquisition that differ from, or are in addition to, those of Endeavor stockholders generally. In particular:

Mr. Charney stands to receive as many as approximately 37.3 million shares of Endeavor upon closing, which shares are subject to a three year lock-up agreement. In the event the acquisition is not consummated, none of the 37,258,065 shares issuable to Mr. Charney, which have an aggregate market value of approximately $458,274,200 as of November 1, 2007, would be issued. In addition, Mr. Charney will enter into an employment agreement with Endeavor concurrently with the closing of the acquisition under which he shall receive an annual base salary of $750,000 and also be entitled to receive an annual bonus of up to 150% of is base salary and a long-term bonus over the initial three-year term of the employment agreement of up to 300% of this base salary upon attainment by Endeavor of performance objectives to be determined by Endeavor s compensation committee following the consummation of the acquisition.

Mr. Lim will receive an estimated $67.8 million in cash at the completion of the merger, assuming a December 14, 2007 closing.

Both Mr. Charney and Mr. Lim will have loans that they have made to the company in aggregate principal amounts of approximately $4.8 million and $180,000, respectively, repaid to them upon Closing.

Certain other officers and employees of American Apparel will have loans repaid to them that they have made to American Apparel. The aggregate principal amount of these loans is approximately $3.2 million. For further information regarding the repayment of all loans, see the section called *American Apparel Related Party Transactions.* They will also be potentially eligible for Endeavor shares made available to them under incentive plans going forward as a public company. Some will also be eligible for cash bonuses upon Closing.

**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 fair to and in the best interests of Endeavor and its stockholders. Endeavor s board of directors has approved and declared fair and 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 based on the terms of the Original Agreement. 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 that was to be paid by Endeavor under the terms of the Original 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 under the terms of the Original Agreement to the number of shares to be issued based on American Apparel s net debt.

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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 that was to be paid by Endeavor pursuant to the Original Agreement, and whether the fair market value of American Apparel was at least equal to 80% of Endeavor s net assets. Jefferies opinion does not address any other aspect of the acquisition or the terms of the Acquisition Agreement. In addition, 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 Original Agreement;
- reviewed certain publicly available financial and other information about Endeavor and American Apparel;
- reviewed certain information furnished to it by American Apparel s management, including historical financial information and financial forecasts and analyses relating to the business, operations and prospects of American Apparel, which information included (i) limited forecast information relating to American Apparel s Canadian business, Jefferies having been advised that more detailed financial forecasts for that business were not available, and (ii) certain adjustments to American Apparel s historical consolidated earnings before interest, taxes, depreciation and amortization that were prepared by the management of American Apparel and also agreed to by Endeavor s management;
- 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 Original 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

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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 Original 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 and are summarized above under the section *Certain Adjustments Considered by Endeavor*. 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 Original 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 Original 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 Original Agreement and the closing price of $7.55 per share of Endeavor common stock as of December 18, 2006 (one day prior to announcement of the acquisition), Jefferies noted that the acquisition consideration implied a total equity value of approximately $243.5 million. Assuming $110.0 million of indebtedness and $2.5 million of cash bonus payments to American Apparel s management, Jefferies noted that the acquisition consideration implied a total enterprise value of approximately $356.0 million, which is referred to below as the Implied Consideration Value. The Implied Consideration Value provided a basis for comparing the amount that was to be paid by Endeavor for American Apparel to the implied valuations of American Apparel derived using the various valuation methodologies summarized below.

*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.

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The revenues, EBITDA and earnings per share for the last-twelve-months, or LTM, and as estimated for fiscal years 2007 and 2008 by publicly available equity research analyst reports for each of these companies were as follows:

**Comparable Public Company Revenues**

**(in millions of dollars)**

***Specialty Retailer Companies***

| | LTM Revenue | FY2007E Revenue | FY2008E Revenue |
|---|---|---|---|
| Abercrombie & Fitch Co. | $ 3,318.2 | $ 3,857.0 | $ 4,326.3 |
| Aeropostale, Inc. | $ 1,413.2 | $ 1,599.4 | $ 1,793.5 |
| American Eagle Outfitters, Inc. | $ 2,794.4 | $ 3,202.1 | $ 3,525.8 |
| J. Crew Group, Inc. | $ 1,152.1 | $ 1,296.0 | $ 1,442.6 |
| Urban Outfitters, Inc. | $ 1,224.7 | $ 1,491.8 | $ 1,752.1 |
| American Apparel* | $ 264.7 | $ 315.6 | $ 387.3 |

* Per American Apparel management as of May 9, 2007, excluding CI companies revenue

***Wholesale Apparel Manufacturer Companies***

| | LTM Revenue | FY2007E Revenue | FY2008E Revenue |
|---|---|---|---|
| Delta Apparel, Inc. | $ 303.1 | $ 323.3 | $ 353.0 |
| Gilden Activewear, Inc. | $ NA | $ 1,040.0 | $ 1,238.0 |
| Hanesbrands, Inc. | $ 4,479.9 | $ 4,478.0 | $ 4,589.3 |
| American Apparel* | $ 264.7 | $ 315.6 | $ 387.3 |

* Per American Apparel management as of May 9, 2007, excluding CI companies revenue

**Comparable Public Company EBITDA**

**(in millions of dollars)**

***Specialty Retailer Companies***

| | LTM EBITDA | FY2007E EBITDA | FY2008E EBITDA |
|---|---|---|---|
| Abercrombie & Fitch Co. | $ 804.2 | $ 912.7 | $ 1,041.3 |
| Aeropostale, Inc. | $ 195.7 | $ 222.2 | $ 258.4 |
| American Eagle Outfitters, Inc. | $ 674.8 | $ 755.9 | $ 849.2 |
| J. Crew Group, Inc. | $ 159.1 | $ 187.4 | $ 211.1 |
| Urban Outfitters, Inc. | $ 219.7 | $ 291.3 | $ 374.0 |
| American Apparel* | $ 30.9 | $ 40.0 | $ 49.2 |

* Per American Apparel management as of May 9, 2007

***Wholesale Apparel Manufacturer Companies***

| | LTM EBITDA | FY2007E EBITDA | FY2008E EBITDA |
|---|---|---|---|

| | | | | | | |
|---|---|---|---|---|---|---|
| Delta Apparel, Inc. | $ | 26.8 | $ | 28.5 | $ | 34.4 |
| Gilden Activewear, Inc. | $ | NA | $ | 214.7 | $ | 285.5 |
| Hanesbrands, Inc. | $ | 534.4 | $ | 551.6 | $ | 599.5 |
| American Apparel* | $ | 30.9 | $ | 40.0 | $ | 49.2 |

* Per American Apparel management as of May 9, 2007

**Comparable Public Company Earnings Per Share**

***Specialty Retailer Companies***

| | LTM EPS | FY2007E EPS | FY2008E EPS |
|---|---|---|---|
| Abercrombie & Fitch Co. | $ 4.59 | $ 5.30 | $ 5.99 |
| Aeropostale, Inc. | $ 1.93 | $ 2.27 | $ 2.65 |
| American Eagle Outfitters, Inc. | $ 1.70 | $ 1.99 | $ 2.21 |
| J. Crew Group, Inc. | $ 1.62 | $ 1.29 | $ 1.58 |
| Urban Outfitters, Inc. | $ 0.69 | $ 0.95 | $ 1.19 |

***Wholesale Apparel Manufacturer Companies***

| | LTM EPS | FY2007E EPS | FY2008E EPS |
|---|---|---|---|
| Delta Apparel, Inc. | $ 1.26 | $ 1.29 | $ 1.61 |
| Gilden Activewear, Inc. | $ NA | $ 2.70 | $ 3.56 |
| Hanesbrands, Inc. | $ NA | $ 1.60 | $ 2.00 |

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

the enterprise value (which was obtained for each company by adding its short and long debt to the sum of the market value of its common equity and the book value of any minority interest, and subtracting its cash and cash equivalents) divided by LTM EBITDA, which is referred to as Enterprise Value/LTM EBITDA,

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

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

This analysis indicated the following:

**Comparable Public Company Multiples**

***Specialty Retailer Companies***

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

* Implied by Implied Consideration Value

***Wholesale Apparel Manufacturer Companies***

| | Low | High | Median | Mean | American Apparel* |
|---|---|---|---|---|---|

| | | | | | |
|---|---|---|---|---|---|
| Enterprise Value/LTM EBITDA | 8.3x | 9.2x | 8.7x | 8.7x | 11.5x |
| Enterprise Value/2007E EBITDA | 7.8x | 18.6x | 8.9x | 11.8x | 8.9x |
| Enterprise Value/2008E EBITDA | 6.5x | 14.0x | 8.2x | 9.6x | 7.2x |

* Implied by Implied Consideration Value

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Using a reference range selected by Jefferies based on the factors described below in the last paragraph of the Comparable Public Company Analysis 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 American Apparel s 2006 EBITDA of $30.9 million (as provided to Jefferies in connection with the delivery of its opinion dated May 9, 2007). 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 selected by Jefferies based on the factors described below in the last paragraph of the Comparable Public Company Analysis 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 American Apparel s 2007E EBITDA of $40.0 million (as provided to Jefferies in connection with the delivery of its opinion dated May 9, 2007). 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 selected by Jefferies based on the factors described below in the last paragraph of the Comparable Public Company Analysis 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 American Apparel s 2008E EBITDA of $49.2 million (as provided to Jefferies in connection with the delivery of its opinion dated May 9, 2007). 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.

Jefferies selected the Specialty Retailer Companies and Wholesale Apparel Manufacturer Companies because their businesses and operating profiles are similar to that of American Apparel in certain respects. However, because of the inherent differences between the business, operations and prospects of American Apparel and the businesses, operations and prospects of the selected companies, no company utilized in the comparable public company analysis is identical to American Apparel. Therefore, Jefferies believed that it was inappropriate to, and therefore did not, rely solely on the quantitative results of the comparable public company analysis. Accordingly, Jefferies also made qualitative judgments concerning differences between the financial and operating characteristics and prospects of American Apparel and the companies included in this analysis that would affect the public trading values of each in order to provide a context in which to consider the results of the quantitative analysis. These qualitative judgments related primarily to the differing sizes, number of store locations and historical same-store growth (for Specialty Retailer Companies only), historical and projected revenue growth and projected earnings growth, profitability levels and degree of operational risk between American Apparel and the companies included in this analysis. Jefferies also 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 mean or median, is not in itself a meaningful method of using comparable company data.

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

***Specialty Retailer Transactions***

| Target | Acquiror | Month and Year Announced | Target LTM EBITDA ($ in millions) |
|---|---|---|---|
| Fat Face Limited | Bridgepoint Capital Limited | March 2007 | 58.0 |
| ROC Apparel Group, LLC | Iconix Brand Group, Inc. | March 2007 | N/A |
| Kate Spade, LLC | Liz Claiborne, Inc. | November 2006 | N/A |
| The J. Jill Group, Inc. | The Talbots, Inc. | February 2006 | 26.3 |
| Maurices, Inc. | The Dress Barn, Inc. | November 2004 | 38.4 |
| Barneys New York, Inc. | Jones Apparel Group, Inc. | November 2004 | 49.4 |
| The White House, Inc. | Chico s FAS, Inc. | July 2003 | 8.3 |

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 | Target LTM EBITDA ($ in millions) |
|---|---|---|---|
| Cutter & Buck, Inc. | New Wave Group AB | April 2007 | 13.1 |
| Americana International Limited | HgCapital | March 2007 | N/A |
| VF Intimates, LP | Fruit of the Loom, Inc. | January 2007 | N/A |
| Russell Corp. | Berkshire Hathaway, Inc. | April 2006 | 132.1 |
| Haggar Corp. | Consortium of Buyers led by Infinity Associates | August 2005 | 22.1 |
| Alpha Shirt Holdings, Inc. | Broder Bros., Co. | July 2003 | 29.3 |
| Nautica Enterprises, Inc. | VF Corporation | July 2003 | 81.3 |

Using publicly available estimates and other information for each of these transactions, Jefferies reviewed the transaction value (which was obtained by calculating the enterprise value of the target company using the purchase price of the transaction) 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 |

* Multiple implied by Implied Consideration Value

***Wholesale Apparel Manufacturer Transactions***

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

* Multiple implied by Implied Consideration Value

Using a reference range selected by Jefferies based on the factors described below in the last paragraph of the Comparable Transactions Analysis 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 American Apparel s 2006 EBITDA of $30.9 million (as provided to Jefferies in connection with the delivery of its opinion dated May 9, 2007). 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.

Jefferies chose the transactions used in this analysis based on the similarity of the target companies in the transactions to American Apparel in the size, mix, margins and other characteristics of their businesses. The reasons for and the circumstances surrounding each of the transactions analyzed were diverse and there are inherent differences in the business, operations, financial conditions and prospects of American Apparel, and the businesses, operations, financial conditions and prospects of the companies included in the comparable transaction analysis. Therefore, Jefferies believed that a purely quantitative comparable transaction analysis would not be particularly meaningful in the context of the merger and therefore did not rely solely on the quantitative results of the selected transaction analysis. Accordingly, Jefferies also made qualitative judgments concerning differences between the characteristics of the transactions and the merger. Jefferies applied in its analysis a range of multiples that it believed reflected the appropriate range of transaction value multiples applicable to American Apparel. Jefferies also 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 mean or median, is not in itself a meaningful method of using comparable company data.

*Discounted Cash Flow Analysis.* Jefferies performed a discounted cash flow analysis for American Apparel to estimate the present value of American Apparel s after-tax unlevered cash flows, which is referred to as free cash flows, calculated as of December 31, 2006.

A discounted cash flow analysis is a traditional valuation methodology used to derive a valuation of a business by calculating the present value of its estimated future free cash flows. Present value refers to the current value of future free cash flows or amounts and is obtained by discounting those future free cash flows or amounts by a discount rate that takes into account macro-economic assumptions and estimates of risk, the opportunity cost of capital, expected returns and other appropriate factors. Jefferies performed a discounted cash flow analysis for American Apparel by adding (1) the present value of American Apparel s projected free cash flows for fiscal years 2007 through 2011 to (2) the present value of the terminal value of American Apparel as of December 31, 2011. Terminal value refers to the value of all future free cash flows from a business at a particular point in time.

Using American Apparel management s financial projections, Jefferies estimated a range of terminal values by applying a range of EBITDA multiples of 8.0x to 9.0x to American Apparel s 2011 projected EBITDA. The range of EBITDA multiples was selected based on the range of EBITDA multiples indicated in the Comparable Public Company Analysis summarized above; in particular, in selecting this range of EBITDA multiples, Jefferies focused on the LTM EBITDA multiples for Abercrombie & Fitch Co., Aeropostale, Inc. and American Eagle Outfitters, Inc., whose LTM EBITDA trading multiples were 8.5x, 9.7x and 8.5x, respectively, because

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Jefferies believed that the trading multiples for those companies would be most relevant to American Apparel at the terminal year of 2011 based upon the current store counts for those companies and American Apparel s projected store count at the terminal year 2011. Jefferies discounted the free cash flow streams and the estimated terminal value to a present value at a range of discount rates from 14.0% to 16.0%. The discount rates utilized in this analysis were chosen by Jefferies based on an analysis of the weighted average cost of capital (or WACC) of American Apparel, which is based on a WACC analysis for the Specialty Retailer Companies and Wholesale Apparel Manufacturer Companies. In selecting a set of comparable public companies for this purpose, Jefferies reviewed and compared specific financial, operating and market data relating to American Apparel with selected companies that Jefferies deemed comparable in certain respects to American Apparel.

Based on the projections and assumptions set forth above, the discounted cash flow analysis of American Apparel 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. Jefferies has provided investment banking services to an affiliate of Endeavor subsequent to its delivery of its opinion in May 2007, but has not provided any other services to either American Apparel or Endeavor during the past two years.

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. Pursuant to its engagement letter with Endeavor, Jefferies consented to the inclusion of its opinion in this proxy statement.

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**Other information about certain comparable companies**

The comparable companies used by Jefferies in its analysis had the following net assets and net income as of the date of Jefferies opinion, as compared to American Apparel as of the same date. The following table reflects publicly available information as of that date and is presented here for the purposes of investor consideration.

| Company Name | Last 12 Months Net Income (in millions $) | 2007 Projected Net Income (in millions $) | 2008 Projected Net Income (in millions $) | Net Assets (in millions $) |
|---|---|---|---|---|
| Abercrombie & Fitch Co. | $ 422.2 | $ 482.4 | $ 552.4 | $ 1,405.3 |
| Aeropostale, Inc. | $ 103.7 | $ 117.5 | $ 138.1 | $ 312.1 |
| American Eagle Outfitters, Inc. | $ 387.4 | $ 439.6 | $ 492.0 | $ 1,417.3 |
| J. Crew Group, Inc. | $ 77.7 | $ 82.7 | $ 98.3 | $ 587.8 |
| Urban Outfitters, Inc. | $ 116.2 | $ 158.0 | $ 199.8 | $ 899.3 |
| Delta Apparel, Inc. | $ 10.9 | $ 21.3 | $ 27.0 | $ 104.6 |
| Gilden Activewear, Inc. | n/a | $ 161.1 | $ 210.7 | $ 568.9 |
| Hanesbrands, Inc. | n/a | $ 155.2 | n/a | $ 91.3 |
| American Apparel | $ (1.9) | $ 5.3 | $ 7.5 | $ 14.0 |

**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.

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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.

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**

No notification or filing under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 is required in connection with the acquisition. The acquisition and the other transactions contemplated by the Acquisition Agreement do not require any pre-closing filings with federal, state or Canadian federal or provincial authorities.

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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 November 7, 2007, 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, which was 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), LLC ; and
- Endeavor 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 their respective 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 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 Closing is expected to occur promptly after the special meeting of Endeavor s stockholders described in this proxy statement.

After Closing:

- 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, Mr. Charney, in consideration of Endeavor receiving ownership of all of the securities of American Apparel outstanding immediately prior to the Closing, will receive from Endeavor an aggregate of 37,258,065 shares of Endeavor common stock, such shares being subject to downward adjustment based on American Apparel s net debt at closing.

*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 $150,000,000, 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 $150,000,000 by (ii) $7.75 (rounded up to the nearest shares); provided, however, that if Closing Date net debt is equal to or less than $150,000,000, there shall be no reduction. As of September 30, 2007, American Apparel s net debt was approximately $124 million and it is not anticipated to exceed $150,000,000 at Closing. Accordingly, it is unlikely that any adjustment will be made to the number of shares issued to Mr. Charney. 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 has the right, but not the obligation, to purchase all of Mr. Lim s equity interests in the American Apparel companies in the Lim Buyout prior to Closing. The purchase price shall be $60 million plus an additional cash price ( Additional Purchase Price ) equal to the amount of interest accrued on the $60 million purchase price at a rate of 20% per annum, compounded monthly, from May 1, 2007 through the date 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 for any reason, Endeavor shall effect the Lim Buyout as part of and conditioned upon the consummation of the acquisition by paying to Mr. Lim the Lim Payment Amount in cash. Since there is no economic incentive for Mr. Charney to affect the Lim Buyout, Endeavor will effectively be required to affect the Lim Buyout. If the acquisition was consummated on December 14, 2007, and Endeavor is required to effect the Lim Buyout on the same date, Endeavor would pay Mr. Lim approximately $67.8 million.

**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, Mr. Charney will own approximately 65.2% of the outstanding Endeavor common stock and the current stockholders of Endeavor will own approximately 34.8% of the outstanding Endeavor common stock immediately following the Closing;

- 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, Mr. Charney will own approximately 69.1% of the outstanding Endeavor common stock and the current stockholders of Endeavor will own approximately 30.9% 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.

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**Employment Agreements**

A condition to the Closing 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 Closing. 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 Agreement and Non-Competition Covenants*. We encourage you to read the employment agreement in its entirety.

**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;

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- capital structure of each constituent company;
- the authorization, performance and enforceability of the Acquisition Agreement;
- licenses and permits;
- taxes;
- financial information and absence of undisclosed liabilities;
- holding of leases and ownership of other properties, including intellectual property;
- contracts;
- title to properties and assets;
- environmental matters;
- title to and condition of other assets;
- absence of certain changes;
- employee matters;
- compliance with laws;
- product liability and product recalls;
- litigations; and
- compliance with applicable provisions of securities laws.

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

**Covenants**

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

waive any stock repurchase rights, accelerate, amend or (except as specifically provided for in the Acquisition Agreement) change the period of exercisability of options or restricted stock, or reprice options granted under any employee, consultant, director or other stock plans or authorize cash payments in exchange for any options granted under any of such plans;

grant any severance or termination pay to any officer or employee except pursuant to applicable law, written agreements outstanding, or policies, or adopt any new severance plan, or amend or modify or alter in any manner any severance plan, agreement or arrangement;

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 as disclosed in the Acquisition Agreement, and 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;

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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 merger of AAI into Merger Sub or the acquisition by Endeavor of all of the outstanding capital stock of the CI companies 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;

except as disclosed in the Acquisition Agreement, 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;

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

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

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

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

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

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

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

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

Endeavor, immediately following the Closing, shall allocate 2,710,000 shares of its common stock available under the 2007 performance equity plan for issuance to or for the benefit of certain employees;

American Apparel will use its commercially reasonable best efforts to secure and maintain insurance on the life of Mr. Charney for the benefit of American Apparel in the amount of $100 million; and

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.

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

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

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

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

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

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

*American Apparel s conditions to closing*

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

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

- 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;

- Mr. Charney shall have received from Skadden, Arps, Slate, Meagher & Flom LLP, or other legal counsel reasonably acceptable to Mr. Charney, a legal opinion which opines that the acquisition by Endeavor of all of the securities of the CI companies outstanding immediately prior to Closing constitutes a reorganization under Section 368(a) of the Code; 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.

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*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;
- 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;
- Endeavor shall have received from Buchanan Ingersoll & Rooney PC, counsel to American Apparel, and American Apparel s Canadian and other general corporate counsel a legal opinion, which, among other things, opines on the validity and enforceability of the Acquisition Agreement and the transactions contemplated thereby; substantially in the form annexed to the Acquisition Agreement, which is customary for transactions of this nature;
- the voting agreement between certain stockholders of Endeavor and Mr. Charney and Endeavor shall be in full force and effect, and the Endeavor designees shall have been elected to Endeavor s board of directors;
- Mr. Charney, Mr. Lim and any and all other stockholders of the American Apparel companies shall have repaid any and all amounts owed by them to American Apparel;
- all 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 Mark Samson 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 Mr. Samson 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. Mr. Samson, and any successor, is charged with making determinations whether Endeavor may be entitled to indemnification, and may make a claim for indemnification by giving notice to Mr. Charney, with a copy to the escrow agent, specifying the details of the claim. Mr. Charney may accept the claim or dispute it. If the claim is disputed by Mr. Charney and not ultimately resolved by negotiation, it shall be determined by arbitration. Upon a claim and its value becoming established by the parties or through arbitration, it is payable from the shares placed in escrow or cash substituted therefor.

**Termination**

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

- by mutual written consent of Endeavor and American Apparel;
- by either party if a governmental entity shall have issued an order, decree or ruling or taken any other action, in any case having the effect of permanently restraining, enjoining or otherwise prohibiting the acquisition, which order, decree, ruling or other action is final and nonappealable;
- by either party if the other party has breached any of its covenants or representations and warranties in any material respect and has not cured its breach within 30 days of the notice of an intent to terminate, provided that the terminating party is itself not in breach;
- by 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 Amendments**

*Waivers*

In March and April 2007, Endeavor waived certain obligations of American Apparel contained in the Original Agreement. Specifically, Endeavor waived the requirement that:

- American Apparel deliver audited financial statements for the years ended December 31, 2006, 2005 and 2004 by January 30, 2007, although not the obligation to ultimately deliver such financial statements (which have since been delivered);
- American Apparel deliver projections that demonstrate it would have EBITDA of at least $50 million for the year ending December 31, 2007; and

American Apparel deliver projections that demonstrate it would have EBITDA of at least $70 million for the year ending December 31, 2008.

Endeavor waived these pro forma adjusted EBITDA projection requirements for 2007 and 2008 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 believed would be available to American Apparel as a result of the acquisition. The existing projections were also impacted by various covenants then in

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place on American Apparel s existing debt financing that the parties believed served to limit the number of store openings for 2007 to a number lower than that contained in American Apparel s original projections. No additional obligations were imposed or agreed to in connection with the foregoing waivers.

*Modifications*

The Original Agreement provided as a condition to Endeavor s obligation to close the acquisition that American Apparel have EBITDA of at least $30 million for the year ended December 31, 2006, after giving effect to certain adjustments, such as inventory write downs and workers compensation expenses, aggregating $5 million. In April 2007, Endeavor allowed an increase to the adjustments to approximately $9 million in the aggregate. The rationale behind this modification was principally to accommodate an approximate $3.5 million inventory obsolescence reserve established in connection with American Apparel s 2006 audit and the proposed acquisition. No additional obligations were imposed or agreed to in connection with the foregoing modification.

As of November 6, 2007, the Original Agreement was amended to give effect to the foregoing waivers by removing those financial statement and financial projections delivery obligations and to, among other things:

- substitute a limited liability company for the corporation to serve as Merger Sub;
- increase the number of shares of Endeavor being issued to Mr. Charney at the closing of the acquisition from 32,258,065 to 37,258,065;
- provide that if Mr. Charney does not affect the Lim Buyout prior to closing of the acquisition and Endeavor is therefore required to affect the Lim Buyout, the shares issuable to Mr. Charney in the acquisition would not be reduced as provided in the Original Agreement;
- increase the level of American Apparel s net debt above which there would be an adjustment in the number of shares issued to Mr. Charney at closing of the acquisition from $110 million to $150 million;
- increase the size of the 2007 performance equity plan from 2,710,000 shares to 7,710,000 shares and to provide that stock awards for an aggregate of 2,710,000 shares would be issued thereunder after consummation of the closing and upon filing of an effective registration statement on Form S-8; and
- eliminate as a closing condition the hiring of a chief financial officer, chief operations officer and chief information officer.

Please see the section entitled *Background of the Acquisition* for a discussion of the history of these waivers and amendments, and the section entitled *Important events subsequent to initial board approval* for a discussion on Endeavor s reasons for agreeing to these changes.

**Effect of Termination**

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

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

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

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

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

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

**Fees and Expenses**

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

**Confidentiality; Access to Information**

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

**Amendments**

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

**Extension; Waiver**

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

- extend the time for the performance of any of the obligations or other acts of the other parties to the agreement;
- waive any inaccuracies in the representations and warranties made to such party contained in the Acquisition Agreement or in any document delivered pursuant to the Acquisition Agreement; and
- waive compliance with any of the agreements or conditions for the benefit of such party contained in the Acquisition Agreement.

**Public Announcements**

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

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

**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 September 30, 2007, giving effect to the transactions described in the Acquisition Agreement as if they had occurred on September 30, 2007. The following unaudited pro forma condensed combined statements of operations combine Endeavor s historical statement of operations for the nine months ended September 30, 2007 and the year ended December 31, 2006 with those of AAI and the CI companies for the nine months ended September 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, which was amended and restated on November 7, 2007, by which it will acquire American Apparel. In exchange for all of the securities of American Apparel, Endeavor will issue 37,258,065 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 has the right but not the obligation to 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 effect the Lim Buyout as part of the acquisition by 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 the amount of interest accrued on the $60 million purchase price at a rate of 20% per annum, compounded monthly, from May 1, 2007 through the date 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 effect the Lim Buyout as part of and conditioned upon the consummation of the acquisition by paying to Mr. Lim the Lim Payment Amount in cash. Since there is no economic incentive for Mr. Charney to affect the Lim Buyout, Endeavor will effectively be required to affect the Lim Buyout. If the acquisition is consummated on December 14, 2007, and Endeavor is required to effect the Lim Buyout on the same date, Endeavor would pay Mr. Lim approximately $67.8 million.

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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 $25.7 million as of September 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 approximately $67.8 million assuming Closing occurs on December 14, 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 approximately $67.8 million assuming Closing occurs on December 14, 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 EFFECTED BY MR. CHARNEY**

**SEPTEMBER 30, 2007**

**(in thousands of dollars)**

| | American Apparel, Inc. USD $ Note 2 | American Apparel Canada CDN $ Note 3 | American Apparel Canada USD $ Note 3 | Notes | Intercompany Eliminations USD $ | Combined AA Companies (AAI & CI) USD $ | Endeavor Acquisition Corp. USD $ Note 1 | 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 | $ 6,490 | $ 357 | $ 360 | | $ | $ 6,850 | $ 101 | 8,15 | 104,656 | $ 111,607 | (25,674) | $ 85,933 |
| Cash held in Trust Fund | | | | | | | 128,375 | 6,7,8,14 | (128,375) | | | |
| Accounts receivables | 21,268 | 1,763 | 1,777 | | | 23,045 | | | | 23,045 | | 23,045 |
| Due from U.S. Affiliate | | 1,143 | 1,150 | 4 | (1,150) | | | | | | | |
| Prepaid expenses and other current assets | 2,766 | 233 | 237 | | | 3,003 | 28 | | | 3,031 | | 3,031 |
| Inventories, net | 91,324 | 7,069 | 7,127 | 5 | (166) | 98,285 | | | | 98,285 | | 98,285 |
| Deferred tax asset | 336 | 168 | 169 | | | 505 | | 9 | 4,402 | 4,907 | | 4,907 |
| Total current assets | 122,184 | 10,733 | 10,820 | | (1,316) | 131,688 | 128,504 | | (19,317) | 240,875 | (25,674) | 215,201 |
| **Property and equipment, net** | 48,532 | 6,102 | 6,152 | | | 54,684 | 3 | | | 54,687 | | 54,687 |
| **Deferred tax asset** | | 387 | 390 | | | 390 | | 9 | 3,084 | 3,474 | | 3,474 |
| **Intangible assets, net** | 1,062 | | | | | 1,062 | | | | 1,062 | | 1,062 |
| **Goodwill** | 950 | | | | | 950 | | | | 950 | | 950 |
| **Other assets** | 10,228 | 278 | 280 | | | 10,508 | 431 | 13 | (549) | 10,390 | | 10,390 |
| **Total assets** | $ 182,956 | $ 17,500 | $ 17,642 | | $ (1,316) | $ 199,282 | $ 128,938 | | $ (16,782) | $ 311,438 | $ (25,674) | $ 285,764 |

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**UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET**

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

**SEPTEMBER 30, 2007**

**(in thousands of dollars)**

| | American Apparel, Inc. USD $ Note 2 | American Apparel Canada CDN $ Note 3 | American Apparel Canada USD $ Note 3 | Notes | Intercompany Eliminations USD $ | Combined AA Companies (AAI & CI) USD $ | Endeavor Acquisition Corp. USD $ Note 1 | 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 | $ 4,858 | $ | $ | | $ | $ 4,858 | $ | | $ | $ 4,858 | $ | $ 4,858 |
| Current portion of long-term debt | 10,744 | 2,081 | 2,098 | | | 12,842 | 475 | 6 | (11,528) | 1,789 | | 1,789 |
| Accounts payable | 13,354 | 1,345 | 1,355 | | | 14,709 | | | | 14,709 | | 14,709 |
| Accrued expenses | 13,776 | 3,887 | 3,919 | | | 17,695 | 599 | 6 | (2,660) | 15,634 | | 15,634 |
| Due to Canadian Affiliate | 660 | 486 | 490 | 4 | (1,150) | | | | | | | |
| Income taxes payable | 4,280 | 597 | 601 | | | 4,881 | | | | 4,881 | | 4,881 |
| Current portion of capital lease obligations | 3,091 | 75 | 76 | | | 3,167 | | | | 3,167 | | 3,167 |
| Total current liabilities | 50,763 | 8,471 | 8,539 | | (1,150) | 58,152 | 1,074 | | (14,188) | 45,038 | | 45,038 |
| **Long-term debt,** net of current portion | 102,106 | 5,004 | 5,045 | | | 107,151 | | 6 | (4,556) | 102,595 | | 102,595 |
| **Capital lease obligations,** net of current position | 3,681 | | | | | 3,681 | | | | 3,681 | | 3,681 |
| **Deferred rent** | 7,677 | 878 | 885 | | | 8,562 | | | | 8,562 | | 8,562 |
| **Total liabilities** | 164,227 | 14,353 | 14,469 | | (1,150) | 177,546 | 1,074 | | (18,744) | 159,876 | | 159,876 |
| **Stockholders equity** | | | | | | | | | | | | |
| Common stock, subject to possible conversion | | | | | | | 25,674 | 15 | | 25,674 | (25,674) | |
| Common stock and additional paid-in capital | 5,706 | 1,068 | 1,077 | 5 | (166) | 6,617 | 96,688 | 7,9,10,13,14 | 19,983 | 123,288 | | 123,288 |
| Due from stockholders | (767) | | | | | (767) | | 7 | 767 | | | |
| Accumulated other comprehensive | 504 | | | | | 504 | | | | 504 | | 504 |

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| income (loss) | | | | | | | | | | | |
| Retained earnings | 13,286 | 2,079 | 2,096 | | 15,382 | 5,502 | 10 | (18,788) | 2,096 | | 2,096 |
| **Total stockholders equity** | 18,729 | 3,147 | 3,173 | (166) | 21,736 | 127,864 | | 1,962 | 151,562 | (25,674) | 125,888 |
| **Total liabilities and stockholders equity** | $ 182,956 | $ 17,500 | $ 17,642 | $ (1,316) | $ 199,282 | $ 128,938 | | $ (16,782) | $ 311,438 | $ (25,674) | $ 285,764 |

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

**AND PER SHARE DATA**

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

**NINE MONTHS ENDED SEPTEMBER 30, 2007**

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

| | American Apparel, Inc. USD $ | American Apparel Canada CDN $ | American Apparel Canada USD $ | Notes | Intercompany Eliminations USD $ | Combined AA Companies (AAI & CI) USD $ | Endeavor Acquisition Corp. USD $ | Notes | Pro Forma Adjustments No Conversion USD $ | Pro Forma Combined No Conversion USD $ |
|---|---|---|---|---|---|---|---|---|---|---|
| | Note 2 | Note 3 | Note 3 | | | | Note 1 | | | |
| **Net sales** | $ 254,837 | $ 33,100 | $ 30,017 | 16 | (9,217) | $ 275,637 | $ | | $ | $ 275,637 |
| **Cost of goods sold** | 119,103 | 12,044 | 10,922 | 16 | (9,051) | 120,974 | | | | 120,974 |
| Gross profit | 135,734 | 21,056 | 19,095 | | (166) | 154,663 | | | | 154,663 |
| **Selling, general and administrative** | 108,270 | 18,294 | 16,590 | | | 124,860 | 686 | | | 125,546 |
| Income (loss) from operations | 27,464 | 2,762 | 2,505 | | (166) | 29,803 | (686) | | | 29,117 |
| **Interest and other (income) expense** | | | | | | | | | | |
| Interest expense | 12,255 | 991 | 899 | | | 13,154 | | 17 | (1,531) | 11,623 |
| Foreign currency (gain) loss | (20) | | | | | (20) | | | | (20) |
| Other (income) expense | (1,077) | | | | | (1,077) | | | | (1,077) |
| Dividend & interest income | | | | | | | (3,264) | | | (3,264) |
| | 11,158 | 991 | 899 | | | 12,057 | (3,264) | | (1,531) | 7,262 |
| **Income (loss) before income taxes** | 16,306 | 1,771 | 1,606 | | (166) | 17,746 | 2,578 | | 1,531 | 21,855 |
| **Income tax provision (benefit)** | 4,725 | 812 | 735 | | | 5,460 | | 18 | (186) | 5,274 |
| **Net income (loss)** | 11,581 | 959 | 871 | | (166) | 12,286 | 2,578 | | 1,717 | 16,581 |
| **Accretion of trust fund, relating to Common Stock subject to possible conversion** | | | | | | | 652 | | | 652 |
| **Net income (loss) available to common stockholders** | $ 11,581 | $ 959 | $ 871 | | $ (166) | $ 12,286 | $ 1,926 | | $ 1,717 | 15,929 |
| The denominator used to calculate diluted earnings per share include warrants aggregating 16,160,745 and options aggregating 700,000. | | | | | | | | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| **Pro Forma Combined No Conversion** | | | | | | |
| **Basic weighted average shares outstanding** | | 19,910,745 | 11 | 37,258,065 | | 57,168,810 |
| **Diluted weighted average shares outstanding** | | 36,771,490 | 11 | 37,258,065 | | 74,029,555 |
| **Basic net income per share** | $ | 0.10 | | | $ | 0.28 |
| **Diluted net income per share** | $ | 0.05 | | | $ | 0.22 |
| **Pro Forma Combined Maximum Conversion** | | | | | | |
| **Basic weighted average shares outstanding** | | | 15 | (3,232,148) | | 53,936,662 |
| **Diluted weighted average shares outstanding** | | | 15 | (3,232,148) | | 70,797,407 |
| **Basic net income per share** | | | | | $ | 0.30 |
| **Diluted net income per share** | | | | | $ | 0.22 |

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

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

**SEPTEMBER 30, 2007**

**(in thousands of dollars)**

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

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

Note 3 Derived from the unaudited combined financial statements of The American Apparel Group of Canada as of September 30, 2007. Canadian dollars converted to US dollars Average rate of $0.9069 for the pro forma statement of operations and the actual rate on September 30, 2007 of $1.0081 for the pro forma balance sheet.

**AS OF SEPTEMBER 30, 2007:**

Intercompany Eliminations:

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 | $ 1,150 |
| Decrease | Due to Canadian Affiliate | 1,150 |

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

| | | |
|---|---|---|
| Decrease | Inventory | $ 166 |

Pro Forma Adjustments:

Note 6 Reflects the repayment of loans made to American Apparel by certain of its directors, officers, employees and other persons at the time of the acquisition. Such loans are required to be repaid pursuant to Section 5.25(c) of the Acquisition Agreement.

| | | |
|---|---|---|
| Decrease | Cash held in trust fund | $ 18,744 |
| Decrease | Current portion of long-term debt | 11,528 |
| Decrease | Accrued expenses | 2,660 |
| Decrease | Long-term debt | 4,556 |

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 | $ 3,150 |
| Decrease | Common Stock and additional paid in capital | 3,917 |
| Decrease | Due from stockholders | 767 |

Note 8 Reclass cash held in trust

| | | |
|---|---|---|
| Decrease | Cash held in trust fund | $ 104,656 |
| increase | Cash and cash equivalents | 104,656 |

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

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

**SEPTEMBER 30, 2007 (Continued)**

**(in thousands of dollars)**

Note 9 To record deferred tax asset, at an effective tax rate of 43.5%, as a result of a change in tax status from Sub Chapter S Corporation to a C Corporation as of September 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 | $ 18,788 |
| Decrease | Retained earnings | 18,788 |

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 37,258,065 shares of Endeavor common stock, subject to adjustment if 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 $150,000.

Note 12 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 $150,000, 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 $150,000 by (ii) $7.75 (rounded up to the nearest shares); provided, however, that if closing date net debt is equal to or less than $150,000, there shall be no reduction. As of September 30, 2007, net debt as defined under the agreement, approximated $124,700.

Note 13 To reclass deferred merger costs upon acquisition

| | | |
|---|---|---|
| Decrease | Intangible Assets | $ 549 |
| Decrease | Common stock and additional paid in capital | $ 549 |

Note 14 To record payment of commission to Ladenburg Thalmann & Co., Endeavor s underwriter in connection with its December 2005 IPO. Payment of the commission was deferred until the closing of a business combination.

| | | |
|---|---|---|
| Decrease | Cash held in trust fund | 1,825 |
| Decrease | Common stock and additional paid in capital | 1,825 |

**Assuming maximum conversions:**

Note 15 To record maximum conversion of approximately 19.99% of outstanding shares (3,232,148 shares)

| | | |
|---|---|---|
| Decrease | Common Stock, subject to possible conversion | $ 25,674 |
| Decrease | Cash and cash equivalents | 25,674 |

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

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

**SEPTEMBER 30, 2007 (Continued)**

**(in thousands of dollars)**

**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2007**

Intercompany Eliminations:

Note 16 Reflects the elimination of sales and cost of sales between American Apparel, Inc. and The American Apparel Group of Canada.

| | | |
|---|---|---|
| Decrease | Net sales | $ 9,217 |
| Decrease | Cost of sales | 9,051 |

Pro Forma Adjustments:

Note 17 To eliminate, effective January 1, 2007, interest expense on long-term indebtedness to be repaid pursuant to the acquisition agreement.

| | | |
|---|---|---|
| Decrease | Interest expense | $ 1,531 |

Note 18 To record additional tax provision, at an effective tax rate of 28.8%, as a result of a change in tax status from Sub Chapter S Corporation to a C Corporation for the nine months ended September 30, 2007.

| | | |
|---|---|---|
| Increase | Income Tax Provision (Benefit) | $ (186) |

**Additional Disclosures:**

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*.

Pursuant to the Acquisition Agreement, all cash proceeds maintained in Endeavor s trust fund account will be transferred into the cash operating account of American Apparel. Accordingly, since this excess cash balance is required to be reclassified out of the trust fund and into an operating cash account the dividend income earned from the trust fund investments will be eliminated. No pro forma adjustment was made to reflect the elimination of the historical dividend.

Commensurate with the closing of the transaction, the common stock subject to possible conversion must either be redeemed or converted into permanent equity. As a result, the accretion of the dividend income attributable to the trust fund would be eliminated effective with the acquisition. No pro forma adjustment was made to eliminate the accretion for the year ended December 31, 2006 and the nine months ended September 30, 2007.

For the nine months ended September 30, 2007, Mr. Charney received a management fee aggregating $2,721. Effective with the closing of the acquisition, Mr. Charney will no longer receive a management fee as compensation. Concurrent with the acquisition closing, Mr. Charney will enter into a three year employment agreement that provides an annual salary of $750. He would also be entitled to an annual performance bonus of 150% of base salary upon achievement of annul goals to be set by a compensation committee subsequent to the acquisition and al long-term performance bonus of 300% of base salary upon achievement of three-year goals to be set by a compensation committee subsequent to the acquisition. No pro forma adjustment was made these items.

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**UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT**

**OF OPERATIONS AND PER SHARE DATA**

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

**YEAR ENDED, DECEMBER 31, 2006**

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

| | American Apparel, Inc. USD $ Note 2 | American Apparel Canada CDN $ Note 3 | American Apparel Canada USD $ Note 3 | Notes | Intercompany Eliminations USD $ | Combined AA Companies (AAI & CI) USD $ | Endeavor Acquisition Corp. USD $ Note 1 | Notes | Pro Forma Adjustments No Conversion USD $ | Pro Forma Combined-No Conversion USD $ |
|---|---|---|---|---|---|---|---|---|---|---|
| **Net sales** | $ 264,691 | $ 34,658 | $ 30,546 | 4 | $ (10,972) | $ 284,265 | $ | | $ | $ 284,265 |
| **Cost of goods sold** | 138,385 | 12,852 | 11,327 | 4 | (10,790) | 138,922 | | | | 138,922 |
| Gross profit | 126,306 | 21,806 | 19,219 | | (182) | 145,343 | | | | 145,343 |
| **Selling, general and administrative** | 117,006 | 20,473 | 18,044 | | | 135,050 | 1,101 | | | 136,151 |
| Income (loss) from operations | 9,300 | 1,333 | 1,175 | | (182) | 10,293 | (1,101) | | | 9,192 |
| **Interest and other (income) expense** | | | | | | | | | | |
| Interest expense | 10,797 | 1,151 | 1,014 | | | 11,811 | | 5 | (1,415) | 10,396 |
| Foreign currency (gain) loss | (601) | | | | | (601) | | | | (601) |
| Other (income) expense | (607) | | | | | (607) | | | | (607) |
| Dividend income | | | | | | | (3,974) | | | (3,974) |
| | 9,589 | 1,151 | 1,014 | | | 10,603 | (3,974) | | (1,415) | 5,214 |
| **Income (loss) before income taxes** | (289) | 182 | 161 | | (182) | (310) | 2,873 | | 1,415 | 3,978 |
| **Income tax provision (benefit)** | 1,335 | 271 | 239 | | | 1,574 | 3 | 6 | (2,236) | (659) |
| **Net income (loss)** | (1,624) | (89) | (78) | | (182) | (1,884) | 2,870 | | 3,651 | 4,637 |
| **Accretion of trust fund, relating to Common Stock** subject to possible conversion | | | | | | | 794 | | | 794 |
| **Net income (loss) available to common stockholders** | $ (1,624) | $ (89) | $ (78) | | $ (182) | $ (1,884) | $ 2,076 | | $ 3,651 | $ 3,843 |
| The denominator used to calculate diluted earnings per share include warrants aggregating 16,160,745 and | | | | | | | | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| options aggregating 700,000. | | | | | | |
| **Pro Forma Combined No Conversion:** | | | | | | |
| **Basic weighted average shares outstanding** | | 19,910,745 | 7 | 37,258,065 | | 57,168,810 |
| **Diluted weighted average shares outstanding** | | 36,771,490 | 7 | 37,258,065 | | 74,029,555 |
| **Basic diluted net income per share** | $ | 0.10 | | | $ | 0.07 |
| **Diluted net income per share** | $ | 0.06 | | | $ | 0.05 |
| **Pro Forma Combined Maximum Conversion:** | | | | | | |
| **Basic weighted average shares outstanding** | | | 8 | (3,232,148) | | 53,936,662 |
| **Diluted weighted average shares outstanding** | | | 8 | (3,232,148) | | 70,797,407 |
| **Basic diluted net income per share** | | | | | $ | 0.07 |
| **Diluted net income per share** | | | | | $ | 0.05 |

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

**ASSUMING LIM BUYOUT EFFECTED 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.

Intercompany Elimination:

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 |

Pro Forma Adjustments:

Note 5 To eliminate, effective January 1, 2006, interest expense on long-term indebtedness to be repaid pursuant to the acquisition agreement.

| | | |
|---|---|---|
| Decrease | Interest expense | $ 1,415 |

Note 6 To record income tax benefit, at an effective tax rate of 28.8%, 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 37,258,065 shares of Endeavor common stock, subject to adjustment if 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 $150,000.

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 $150,000, 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 $150,000 by (ii) $7.75 (rounded up to the nearest shares); provided, however, that if Closing Date net debt is equal to or less than $150,000, there shall be no reduction. As of December 31, 2006 American Apparel s net debt was below $150,000.

**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)

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## NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

## ASSUMING LIM BUYOUT EFFECTED BY MR. CHARNEY

## DECEMBER 31, 2006 (Continued)

**(in thousands of dollars)**

**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*.

Pursuant to the Acquisition Agreement, all cash proceeds maintained in Endeavor s trust fund account will be transferred into the cash operating account of American Apparel. Accordingly, since this excess cash balance is required to be reclassified out of the trust fund and into an operating cash account the dividend income earned from the trust fund investments will be eliminated. No pro forma adjustment was made to reflect the elimination of the historical dividend.

Commensurate with the closing of the transaction, the common stock subject to possible conversion must either be redeemed or converted into permanent equity. As a result, the accretion of the dividend income attributable to the trust fund would be eliminated effective with the acquisition. No pro forma adjustment was made to eliminate the accretion for the year ended December 31, 2006 and the nine months ended September 30, 2007.

For the year ended December 31, 2006, Mr. Charney received a management fee aggregating $1,991. Effective with the closing of the acquisition, Mr. Charney will no longer receive a management fee as compensation. Concurrent with the acquisition closing, Mr. Charney will enter into a three year employment agreement that provides an annual salary of $750. He would also be entitled to an annual performance bonus of 150% of base salary upon achievement of annul goals to be set by a compensation committee subsequent to the acquisition and al long-term performance bonus of 300% of base salary upon achievement of three-year goals to be set by a compensation committee subsequent to the acquisition. No pro forma adjustment was made these items.

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**UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET**

**ASSUMING LIM BUYOUT EFFECTED BY ENDEAVOR**

**SEPTEMBER 30, 2007**

**(in thousands of dollars)**

| | American Apparel, Inc. USD $ Note 2 | American Apparel Canada CDN $ Note 3 | American Apparel Canada USD $ Note 3 | Notes | Intercompany Eliminations USD $ | Combined AA Companies (AAI & CI) USD $ | Endeavor Acquisition Corp. USD $ Note 1 | 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 | $ 6,490 | $ 357 | $ 360 | | $ | $ 6,850 | $ 101 | 8,15 | 36,816 | $ 43,767 | (25,674) | $ 18,093 |
| Cash held in Trust Fund | | | | | | | 128,375 | 6,7,8,11,14 | (128,375) | | | |
| Accounts receivables | 21,268 | 1,763 | 1,777 | | | 23,045 | | | | 23,045 | | 23,045 |
| Due from U.S. Affiliate | | 1,143 | 1,150 | 4 | (1,150) | | | | | | | |