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TARRANT APPAREL GROUP
Form 10-K/A
April 30, 2007

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K/A
(AMENDMENT NO. 1)

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

For the fiscal year ended December 31, 2006

or

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

For the transition period from _____ to _____

Commission File Number: 0-26006

TARRANT APPAREL GROUP
(Exact name of registrant as specified in its charter)

CALIFORNIA
(State or other jurisdiction
of incorporation or organization)

95-4181026
(I.R.S. Employer
Identification Number)

3151 EAST WASHINGTON BOULEVARD
LOS ANGELES, CALIFORNIA 90023
(Address of principal executive offices) (Zip code)

Registrant's telephone number, including area code: (323) 780-8250

Securities registered pursuant to Section 12(b) of the Act:

TITLE OF EACH CLASS -----	NAME OF EACH EXCHANGE ON WHICH REGISTERED -----
Common Stock	NASDAQ Global Market

Securities registered pursuant to Section 12(g) of the Act:

NONE

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes [] No [X]

Indicate by check mark if the registration is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes [] No [X]

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No []

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Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.

Large accelerated filer [] Accelerated filer [] Non-accelerated filer [X]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes [] No [X]

The aggregate market value of the Common Stock held by non-affiliates of the Registrant is approximately \$34,264,994 based upon the closing price of the Common Stock on June 30, 2006.

Number of shares of Common Stock of the Registrant outstanding as of March 23, 2007: 30,543,763.

DOCUMENTS INCORPORATED BY REFERENCE

None

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EXPLANATORY NOTE

This Amendment No. 1 to Form 10-K on Form 10-K/A (this "Amendment") amends our Annual Report on Form 10-K for the fiscal year ended December 31, 2006, originally filed with the Securities and Exchange Commission on March 27, 2007 (the "Original Filing"). We are filing this Amendment to include the information required by Part III and not included in the Original Filing, as we will not file our definitive proxy statement within 120 days of the end of our fiscal year ended December 31, 2006.

Except as described above, no other changes have been made to the Original Filing. This Amendment continues to speak as of the date of the Original Filing, and the Company has not updated the disclosures contained therein to reflect any events which occurred at a date subsequent to the filing of the Original Filing. Accordingly, this Amendment should be read in conjunction with the original Annual Report.

As a result of these amendments, we are also filing as exhibits to this Amendment the certifications pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. Because no financial statements are contained within this Amendment, we are not including certifications pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

In this Amendment, unless the context indicates otherwise, the terms "Company," "we," "us," and "our" refer to Tarrant Apparel Group, and its subsidiaries.

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PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

DIRECTORS AND EXECUTIVE OFFICERS

The following table sets forth the name, age and position of each of our executive officers and directors as of April 16, 2007:

NAME	AGE	POSITION
----	---	-----
Gerard Guez.....	51	Chairman of the Board of Directors and Interim Chief Executive Officer
Todd Kay.....	50	Vice Chairman of the Board of Directors
Stephane Farouze.....	38	Director
Milton Koffman.....	83	Director
Simon Mani.....	55	Director
Joseph Mizrachi.....	61	Director
Mitchell Simbal.....	53	Director
David N. Burke.....	57	Chief Financial Officer
Henry Chu.....	69	President of Tarrant Company Limited, Registrant's Hong Kong subsidiary
Charles Ghailian.....	54	President of Tag Mex, Inc.

CLASS I DIRECTORS: TERMS EXPIRING IN 2007

STEPHANE FAROUZE

Stephane Farouze has served as a director of the Company since May 2003. Mr. Farouze is currently a Managing Director of Paradigm Global Advisors. Previously, from March 2000 to November 2000, Mr. Farouze was employed as the Global Head of Sales and Restructuring of Societe General Asset Management. From March 1998 to February 2000, Mr. Farouze was Head of Foreign Exchanges for the Italian Market for BNP. Mr. Farouze received a Bachelor of Science in Applied Arts and Sciences and a Business Administration (Finance) degree from San Diego State University in 1992.

MEMBER: AUDIT COMMITTEE, COMPENSATION COMMITTEE

MILTON KOFFMAN

Milton Koffman was elected as a director of the Company in November 2001. Since 1997, Mr. Koffman has been the Chairman of the Board for New Valu, Inc., a multi-faceted provider of investment capital, commercial loans and other financial services for various operating companies. Additionally, he is a founder and director of Global Credit Services, a leading provider of business information and analysis for manufacturing, financial, lending and real estate companies. Mr. Koffman has previously served on the boards of IEC Electronics, Jayark Corporation, Sattlers Department Stores, Walter Reed Theaters, Scoreboard, Inc. and the Gruen Watch Company. Mr.

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Koffman received a B.S. from Ohio State University in 1945.

MEMBER: AUDIT COMMITTEE, COMPENSATION COMMITTEE

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MITCHELL SIMBAL

Mitchell Simbal has served as a director of the Company since June 2001. Since 1997, Mr. Simbal has been Senior Vice President of Retail Operations for Caesars Entertainment, which includes Caesars Palace, Paris Las Vegas, Bally's and Flamingo Hilton. In this position, Mr. Simbal is responsible for a \$100 million retail division. Mr. Simbal has a B.S. in accounting from the University of Hartford.

MEMBER: AUDIT COMMITTEE, COMPENSATION COMMITTEE

CLASS II DIRECTORS: TERMS EXPIRING IN 2008

GERARD GUEZ

Gerard Guez founded the Company in 1988 and has served as our Chairman of the Board since inception and as Chief Executive Officer from inception until 2001 and again from March 2003 through August 2004. Mr. Guez was re-appointed as Interim Chief Executive Officer, effective March 31, 2006. Mr. Guez also founded Tarrant Company Limited ("Tarrant HK"), our Hong Kong subsidiary, in 1985, and he has served as its Chairman since inception and Chief Executive Officer from 1985 through October 2001. Prior to founding Tarrant HK, Mr. Guez served as the President of Sasson Jeans, L.A., Inc., which was a manufacturer and distributor of denim apparel under the "Sasson" license.

TODD KAY

Todd Kay has served as our President from 1988 to September 1999 and from March 2000 to August 2003, and has served as Vice Chairman since September 7, 1999. Mr. Kay has also served as a director of the Company since 1988 and as a director of Tarrant HK since 1986. Prior to joining us, Mr. Kay was a sales manager for Sasson Jeans, L.A., Inc. from 1979 to 1980 and served as President of JAG Beverly Hills, Inc., an apparel manufacturer, from 1980 to 1985.

JOSEPH MIZRACHI

Joseph Mizrachi has served as a director of the Company since June 2001. Since 1982, Mr. Mizrachi has been engaged in capital funding to finance buyouts of small and medium size companies. He has also been the Chairman of the Board of Midwest Properties Management,

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Inc. since 1980, which is engaged in the management of real estate, and he was formerly a member of the board of directors of American Realty Investors Inc. (NYSE) and he was a director and member of the loan committee of Heritage Bank in Washington, DC. Mr. Mizrachi received an undergraduate degree in Economics and Political Science in 1968 and a Master's degree in Business Administration in Finance and Marketing in 1971, both from the Hebrew University in Jerusalem, Israel. He became a member of the American Society of Chartered Life Underwriter (CLU) in 1973 and a Chartered Financial Consultant (CFC) in 1982. In 1978, he received another Master's degree in Business Administration and Financial Counseling (MFS) from The American college in Bryn Mawr, Pennsylvania.
MEMBER: AUDIT COMMITTEE, COMPENSATION COMMITTEE

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SIMON MANI

Simon Mani has served as a director of the company since December 2004. Since 1994, Mr. Mani has served as General Manager of Mani Brothers Real Estate Investment Group, a privately-held real estate investment firm that owns, renovates, operates, manages, and leases over 1 million square feet of commercial property. Previously, Mr. Mani served as President of the Sara Lee Fresh division of Sara Lee Bakery from 1992 until 2001. In this position Mr. Mani supervised over 1,500 employees and managed over 500 distributors. Mr. Mani and his brother founded the International Baking Company, which the Manis sold to Sara Lee Bakery in 1992.
MEMBER: AUDIT COMMITTEE, COMPENSATION COMMITTEE

OTHER EXECUTIVE OFFICERS

DAVID N. BURKE

David Burke has served as our Chief Financial Officer since March 28, 2007, and served as our Vice President of Finance from May 2006 to March 2007. Prior to joining us, Mr. Burke was a Vice President at Citibank from 2004 to May 2006, where he focused on corporate banking for middle market companies in Southern California. From 2001 to 2003, he was a Vice President with J.P. Morgan Chase & Co.. Mr. Burke has also previously served as Principal, Finance and Development for Program Planning Professionals, Inc.; Senior Vice President of The Fuji Bank, Ltd.; and Vice President

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with Bankers Trust Company. Mr. Burke earned a bachelor's degree in English from Princeton University and an MBA in Finance and Accounting from the Columbia University School of Business.

HENRY CHU

Henry Chu has served as President of Tarrant Company Limited, our Hong Kong subsidiary, since September 2001. Mr. Chu, is also currently a director of Tarrant HK, a position he has held since 2002. Prior to joining Tarrant, Mr. Chu was the founder and owner of a garment manufacturing company. Mr. Chu has over 30 years of experience in the garment industry.

CHARLES GHAILIAN

Charles Ghailian joined the Company in March 1999 upon acquisition of certain assets of CMG, Inc., where he served as Chief Executive Officer since 1988. CMG, Inc. designed, produced and sold private label and CHAZZZ branded woven and knit apparel for women, children and men. He was named President of Chazzz, a Division of Tag Mex, Inc., a wholly-owned subsidiary of the Company. In April 2002, Mr. Ghailian was appointed President of Tag Mex, Inc. In addition to managing the day-to-day operations of Tag Mex, Inc., Mr. Ghailian oversees developments with certain customers, including Sears, J.C. Penny and Mervyn's.

AUDIT COMMITTEE

The Board of Directors has a separately designated standing Audit Committee established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934. The Audit Committee currently consists of Messrs. Farouze, Koffman, Mizrachi, Mani and Simbal, all of whom qualify as "independent" directors within the meaning of the applicable rules for companies traded on The NASDAQ Global Market (NASDAQ). The Board of Directors has determined that Mitchell Simbal is an "audit committee financial expert" as defined in Item 401(h)(2) of Regulation S-K.

SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE.

Section 16(a) of the Securities Exchange Act of 1934 requires our executive officers, directors, and persons who own more than ten percent of a registered class of our equity securities to file reports of ownership and changes in ownership with the SEC. Executive officers, directors and greater-than-ten percent shareholders are required by SEC regulations to furnish us with copies of all Section 16(a) forms they file. Based solely on our review of the copies

of the forms received by us and written representations from certain reporting persons that they have complied with the relevant filing requirements, we believe that, during the year ended December 31, 2006, all of our executive

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officers, directors and greater-than-ten percent shareholders complied with all Section 16(a) filing requirements.

CODE OF ETHICS.

We have adopted a Code of Ethical Conduct that is applicable to all of our officers, directors and employees, including our principal executive officer, principal financial officer, principal accounting officer and persons performing similar functions. A copy of our Code of Ethical Conduct was filed as an exhibit to our Annual Report on Form 10-K.

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ITEM 11. EXECUTIVE COMPENSATION

COMPENSATION DISCUSSION AND ANALYSIS

Tarrant Apparel Group's compensation program for senior executives is administered by the Compensation Committee of our Board of Directors. The Compensation Committee is responsible for considering and making recommendations to the Board of Directors regarding executive compensation and is responsible for administering our stock option and executive incentive compensation plans. The Compensation Committee is committed to ensure that its compensation plan is consistent with our company goals and objectives and the long term interests of its shareholders.

Our named executive officers for 2006 were as follows:

- o Gerard Guez, Chairman of the Board and (since March 31, 2006) Interim Chief Executive Officer;
- o Barry Aved, former Chief Executive Officer (resigned as CEO as of March 31, 2006);
- o Corazon Reyes, former Chief Financial Officer (resigned as CFO as of March 28, 2007);
- o Todd Kay, Vice Chairman of the Board;
- o Charles Ghailian, President of our subsidiary, Tag Mex, Inc.; and
- o Henry Chu, President of our subsidiary, Tarrant Company Limited.

OVERVIEW OF COMPENSATION PHILOSOPHY AND OBJECTIVES

Our compensation programs are designed to deliver a compensation package which is competitive in attracting and retaining key executive talent in the garment industry. Different programs are geared to short and longer term performance with the goal of increasing shareholder value over the long term. To achieve these objectives, the Compensation Committee has established an incentive program for our executive officers based on meeting specific revenue and margin criteria in which long term continued improvement in pre-tax profit is the goal. More specifically, the Compensation Committee believes that our executive compensation should encompass the following:

- o help attract and retain the most qualified individuals by being competitive with compensation packages paid to persons

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having similar responsibilities and duties in comparable businesses;

- o motivate and reward individuals who help us achieve our short term and long term objectives and thereby contribute significantly to the success of our company;
- o relate to the value created for shareholders by being directly tied to our financial performance and condition and the particular executive officer's contribution; and
- o reflect the qualifications, skills, experience, and responsibilities of the particular executive officer.

The Compensation Committee has approved a compensation structure for the named executive officers, determined on an individual basis, which incorporates four key components: base salary, annual discretionary incentive payments, stock options and other benefits.

In connection with its compensation determinations, the Compensation Committee seeks, and is significantly influenced by, the views of the Chief Executive Officer with respect to appropriate compensation levels of the other officers.

EXECUTIVE COMPENSATION COMPONENTS

For the year ended December 31, 2006, the principal components of compensation for the named executive officers were:

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- o annual base salary;
- o annual discretionary incentive compensation;
- o stock options; and
- o retirement and other benefits.

ANNUAL BASE SALARY

In general, base salary for each employee, including the named executive officers, is established based on the individual's job responsibilities, performance and experience; our company's size relative to competitors; the competitive environment; and a general view as to available resources.

For our Chief Executive Officer, the Compensation Committee's practice is to review the base salary to ensure competitiveness in the market place. Currently, our Chairman of the Board, Gerard Guez, is also serving as our Interim CEO. No adjustments to Mr. Guez's compensation have been made to reflect the interim added responsibility. The Compensation Committee considers the base salaries of the named executives to ensure they take into account their performance, experience and retention value and that salary levels continue to be competitive with companies of similar size and complexity.

ANNUAL DISCRETIONARY INCENTIVE COMPENSATION

Named executive officers are eligible to receive discretionary annual cash incentive bonuses. We believe that annual incentive compensation should be determined with specific reference to our overall performance and goals, as well

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as the performance and goals of the division or function over which each individual executive has primary responsibility. In this regard, the Compensation Committee considers both quantitative and qualitative factors. At this time, the incentive program has not yet been linked with a set of clear objectives.

In 2006, the Compensation Committee approved incentive bonuses payable to each of Gerard Guez and Todd Kay based upon the Company's achievement of specified pre-tax income thresholds for the year. Mr. Kay was awarded a cash bonus of \$150,000 for 2006, but Mr. Guez was not awarded a bonus for 2006 as the target for his bonus was not achieved. In 2006, Barry Aved received a discretionary cash bonus of \$100,000, which was awarded to Mr. Aved based primarily on his performance as CEO prior to his resignation in March 2006. In addition, Charles Ghailian received a cash bonus in 2006 of \$170,000.

STOCK OPTIONS

We provide a long term incentive opportunity for each of the named executive officers through awards of stock options. Our stock option program is a long term plan designed to create a link between executive compensation and our financial performance, provide an opportunity for increased equity ownership by executives, and maintain competitive levels of total compensation.

In the case of recommended stock option awards, the Compensation Committee reviews the recommendation of senior management and tests fairness before approving the stock awards. All stock options have been granted at an exercise price equal to the closing market price of our common stock on the date of grant. Stock options generally vest in four equal annual installments over a period of four years; however, options will immediately vest in full upon a change on control of the Company. Stock options expire ten years from date of grant.

In 2006, no named executive officers received stock option awards other than Charles Ghailian and Henry Chu.

RETIREMENT BENEFITS

We maintain a 401(k) plan for our employees. Named executive officers participate in these plans on the same terms as other eligible employees, subject to any legal limits on the amount that may be contributed by executives under the plans.

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We make a "matching" contribution equal to 100% of the employee's contribution up to 5% of the employee's annual compensation.

OTHER BENEFITS

- o MEDICAL BENEFITS. Our employees have a choice of three coverage options under our company-sponsored group health insurance plan. Each option covers the same services and supplies but differs in the quality of provider network. During 2006, we fully funded the HMO portion of the employee coverage.
- o DENTAL BENEFITS. We maintain a group dental plan that covers preventive, basic and major services for employees and eligible dependents. During 2006, we fully funded the HMO

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portion of our California employee coverage and the PPO coverage for our New York employee coverage.

- o LIFE INSURANCE. We maintain a group life insurance plan that provides for basic life and accidental death and dismemberment coverage ranging from \$10,000 to \$50,000 depending on the employee classification. We pay the premiums under this plan.
- o VACATION. All employees are eligible for vacation based on years of service.
- o OTHER PERQUISITES. Vehicle and car allowances have been provided for certain named executives. We do not generally provide other perquisites for other employees.
- o PRIVATE PLANE. From time to time our executives use a private plan owned by 477 Aviation LLC, a company owned by Gerard Guez for business purposes. We reimburse Mr. Guez for the fuel and related expenses incurred by 477 Aviation LLC for our executives' business use of the aircraft. For 2006, the amount of expenses reimbursed was approximately \$240,000.

DEDUCTIBILITY OF COMPENSATION EXPENSES

Pursuant to Section 162(m) under the Internal Revenue Code, certain compensation paid to executive officers in excess of \$1 million is not tax deductible, except to the extent such excess constitutes performance-based compensation. The Compensation Committee has and will continue to carefully consider the impact of Section 162(m) when establishing incentive compensation plans and could, in certain circumstances, approve and authorize compensation that is not fully tax deductible.

ACCOUNTING AND TAX CONSIDERATIONS

We consider the accounting implications of all aspects of our executive compensation program. Our executive compensation program is designed to achieve the most favorable accounting (and tax) treatment possible as long as doing so does not conflict with the intended plan design or program objectives.

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REPORT OF COMPENSATION COMMITTEE

The Compensation Committee of our Board of Directors currently consists of Stephane Farouze, Milton Koffman, Joseph Mizrachi, Simon Mani and Mitchell Simbal. The Compensation Committee is responsible for considering and making recommendations to the Board of Directors regarding executive compensation and is responsible for administering the Company's stock option and executive incentive compensation plans.

The Compensation Committee has reviewed and discussed with management the Compensation Discussion and Analysis included in this report. Based on the review and discussion with management, the Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in Tarrant Apparel Group's Annual Report on Form 10-K.

COMPENSATION COMMITTEE
Stephane Farouze
Milton Koffman

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Joseph Mizrachi
Simon Mani
Mitchell Simbal

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EXECUTIVE COMPENSATION

SUMMARY COMPENSATION TABLE

The following table sets forth, as to each person serving as Chief Executive Officer and Chief Financial Officer during 2006, and the three most highly compensated executive officers other than the Chief Executive Officer and Chief Financial Officer who were serving as executive officers at the end of the 2006 whose compensation exceeded \$100,000 (referred to as "named executive officers"), information concerning all compensation paid for services to us in all capacities for 2006.

NAME AND PRINCIPAL POSITION	YEAR	SALARY (\$)	BONUS (\$)	OPTION AWARDS (\$) (4)	ALL OTHER COMPENSATIO (\$) (5)
Gerard Guez (1) Interim Chief Executive Officer and Chairman	2006	52,000	--	--	--
Barry Aved (2) Former Chief Executive Officer	2006	407,692	100,000	--	--
Corazon Reyes (3) Chief Financial Officer	2006	220,000	--	--	23,425
Todd Kay Vice Chairman of the Board of Directors	2006	750,000	150,000	--	71,154
Charles Ghailian President of Tag Mex, Inc.	2006	383,968	170,000	77,207	--
Henry Chu President of Tarrant Company Limited	2006	335,484	--	21,819	33,255

- (1) Mr. Guez was appointed as Interim Chief Executive Officer on March 31, 2006.
- (2) Mr. Aved resigned as Chief Executive Officer and President and as a member of our board of directors, effective March 31, 2006.
- (3) Ms. Reyes resigned from the position of Chief Financial Officer and as a member of our board of directors effective March 28, 2007.
- (4) The amounts in this column represent the dollar amounts recognized for financial statement reporting purposes in fiscal 2006 with respect to

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stock options granted in 2006 as well as prior fiscal years, in accordance with SFAS 123R. For additional information on the valuation assumptions with respect to option grants, including the options granted in 2006, see note 14 to the consolidated financial statements in our Annual Report on Form 10-K for the year ended December 31, 2006. These amounts do not reflect the actual value that may be realized by the named executive officers which depends on the value of our shares in the future.

(5) All other compensation for 2006 consists of the following:

	Mr. Guez	Mr. Aved	Ms. Reyes	Mr. Kay	Mr. Chu	Mr. Gha
Automobile allowance/lease	-	-	7,615	71,154	-	
Cash-out of unused vacation	-	-	4,810	-	-	31
401(k) matching contribution	-	-	11,000	-	-	1

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GRANTS OF PLAN-BASED AWARDS IN FISCAL YEAR 2006

The following table provides information about equity-awards granted to each named executive officer in 2006 under the Tarrant Apparel Group 2006 Stock Incentive Plan, which is the only plan pursuant to which awards were granted in 2006.

NAME	GRANT DATE	ALL OTHER OPTION AWARDS: NUMBER OF SECURITIES UNDERLYING OPTIONS (#)	EXERCISE OR BASE PRICE OF OPTION AWARDS (\$/SH) ((1))	GRANT DATE FAIR VALUE OF OPTION AWARDS (\$)((2))
Charles Ghailian	6/19/2006	500,000	1.84	625,000
Henry Chu	6/19/2006	141,304	1.84	176,630

(1) The exercise price of options granted in 2006 is equal to the closing price of our common stock on the grant date, as reported on the NASDAQ Global Market.

(2) The grant date fair value is generally the amount the company would expense in its financial statements over the award's service period, but does not include a reduction for forfeitures.

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OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END 2006

The following table provides information with respect to outstanding stock options held by each of the named executive officers as of December 31, 2006.

NAME	GRANT DATE	NUMBER OF SECURITIES UNDERLYING UNEXERCISED OPTIONS (1)		OPTION EXERCISE PRICE (\$)	OPTION EXPIRATION DATE
		(#) EXERCISABLE	(#) UNEXERCISABLE		
Gerard Guez	10/13/1998	666,668	--	13.50	10/13/2008
	05/15/2002	1,000,000	--	5.50	05/15/2012
	05/28/2003	1,000,000	--	3.65	05/28/2013
Barry Aved	05/02/1997	2,000	--	8.50	05/02/2007
	05/01/1998	3,000	--	15.50	05/01/2008
	05/03/1999	2,000	--	45.50	05/03/2009
	05/08/2000	4,000	--	8.25	05/08/2010
	05/08/2001	4,000	--	5.55	05/08/2011
	08/12/2003	4,000	--	2.84	08/12/2013
	09/23/2003	100,000	--	3.65	09/23/2013
	12/04/2003	400,000	--	3.939	12/04/2013
	01/02/2004	30,000	--	3.68	01/02/2014
Corazon Reyes	01/03/2000	2,000	--	9.938	01/03/2010
	12/17/2001	30,000	--	5.09	02/17/2011
Todd Kay	10/13/1998	333,332	--	13.50	10/13/2008
	05/15/2002	1,000,000	--	5.50	05/15/2012
	05/28/2003	1,000,000	--	3.65	05/28/2013
Charles Ghailian	04/08/1999	36,000	--	39.9688	04/08/2009
	12/15/1999	36,000	--	9.969	12/15/2009
	12/17/2001	100,000	--	5.09	12/17/2011
	12/30/2003	25,000	--	3.60	12/30/2013
	06/19/2006	--	500,000 (1)	1.84	06/19/2016
Henry Chu	10/31/2003	100,000	--	3.94	10/31/2013
	06/19/2006	--	141,304 (2)	1.84	06/19/2016

(1) Vests in 4 equal installments on each of January 1, 2007, January 1, 2008, January 1, 2009 and January 1, 2010.

(2) Vests in 4 equal installments on each of June 19, 2007, June 19, 2008, June 19, 2009 and June 19, 2010.

OPTION EXERCISES AND STOCK VESTED IN FISCAL YEAR 2006

There were no stock option exercises by any of the named executive officers during 2006. No stock awards vested for any named executive officer during 2006.

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EMPLOYMENT AGREEMENTS, TERMINATION OF EMPLOYMENT AND CHANGE OF CONTROL ARRANGEMENTS

EMPLOYMENT AGREEMENTS

Except for our agreement Henry Chu described below, we do not have written employment agreements with any of our other named executive officers.

We entered into an employment agreement as of September 16, 2005 with Henry Chu, President of our Hong Kong subsidiary Tarrant Company Limited. This employment agreement is for a term of three years. Mr. Chu's employment agreement provides for a monthly salary of HKD200,000 (or approximately US\$25,787 per month). The agreement provides that either party may terminate the agreement provided a two months advance written notice is provided to the other party. As a result, if we were to immediately terminate Mr. Chu's employment, we would be required to continue to pay him two months' salary, or approximately (US) \$51,574.

POTENTIAL TERMINATION AND CHANGE IN CONTROL BENEFITS

We do not have a formal plan for severance or separation pay for our employees, but from time to time we include a severance provision in the employment agreements of our executive officers that is triggered in the event of involuntary termination without cause or in the event of a change in control. Currently, except for Henry Chu's employment agreement, none of our named executive officers are entitled to receive severance payments upon a termination of employment.

Our stock option plans provide that upon a change in control of the Company, all outstanding stock options will immediately become vested and exercisable. As of December 31, 2006, there were no unvested stock options held by the named executive officers that had an exercise price lower than the closing price of our common stock on December 29, 2006 of \$1.47, as reported by NASDAQ. As a result, there would have been no value of the accelerated vesting had a change in control occurred on December 31, 2006. Currently, there are no other benefits payable to our named executive officers upon a change in control.

DIRECTOR COMPENSATION

The general policy of the Board of Directors is that compensation for independent directors should be a mix of cash and equity-based compensation. We do not pay management directors for Board service in addition to their regular employee compensation. The full Board of Directors has the primary responsibility for reviewing and considering any revisions to director compensation.

DIRECTOR SUMMARY COMPENSATION TABLE

The following table details the total compensation earned by the company's non-employee directors in 2006.

NAME	FEES EARNED OR PAID IN CASH (\$)	OPTION AWARDS (\$)(6)	TOTAL (\$)
Stephane Farouze (1)	\$50,000	\$618	\$50,618

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Milton Koffman (2)	\$48,000	\$618	\$48,618
Simon Mani (3)	\$48,000	\$618	\$48,618
Joseph Mizrachi (4)	\$48,000	\$618	\$48,618
Mitchell Simbal (5)	\$50,000	\$618	\$50,618
Total:	\$244,000	\$3,090	\$247,090

(1) As of December 31, 2006, Mr. Farouze held options to purchase a total of 24,000 shares.

(2) As of December 31, 2006, Mr. Koffman held options to purchase a total of 28,000 shares.

(3) As of December 31, 2006, Mr. Mani held options to purchase a total of 24,000 shares.

(4) As of December 31, 2006, Mr. Mizrachi held options to purchase a total of 32,000 shares.

(5) As of December 31, 2006, Mr. Simbal held options to purchase a total of 28,000 shares.

(6) The amounts in this column represent the dollar amounts recognized for financial statement reporting purposes in fiscal 2006 with respect to stock options granted in 2006 as well as prior fiscal years, in accordance with SFAS 123R. For additional information on the valuation assumptions with respect to option grants, including the options granted in 2006, see note 14 to the consolidated financial statements in our Annual Report on Form 10-K for the year ended December 31, 2006. These amounts do not reflect the actual value that may be realized by the named executive officers which depends on the value of our shares in the future.

We pay to each non-employee director a monthly cash retainer of \$4,000 for service as a director. We also reimburse non-employee directors for all expenses incurred in their capacity as a member of the Board. In addition, the Chairman of each Board committee receives \$2,000 per year for such service.

Our current practice is to grant each non-employee director an initial option to purchase 20,000 shares of our common stock upon joining the Board of Directors, and, thereafter, to grant each non-employee an option to purchase 4,000 shares of common stock on the date of each annual meeting at which such person is reelected to serve as a director. These options have an exercise price equal to the fair market value of such shares on the date of grant, become exercisable so long as the recipient continues to serve as a director in four equal annual installments commencing on the first anniversary of the grant thereof, and expire on the tenth anniversary of the date of grant.

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COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

The Compensation Committee of our Board of Directors currently consists of Stephane Farouze, Milton Koffman, Joseph Mizrachi, Simon Mani and Mitchell Simbal. None of these individuals was an officer or employee of the Company at any time during fiscal 2006. No current executive officer of the Company has served as a member of the board of directors or compensation committee of any entity for which a member of our Board of Directors or Compensation Committee has served as an executive officer.

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ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth as of March 31, 2007, unless otherwise indicated, certain information relating to the ownership of our common stock by (i) each of our directors, (ii) each of our named executive officers, (iii) all of our current named executive officers and directors as a group, and (iv) each other shareholder who, to our knowledge, beneficially owns 5% or more of our common stock. Except as listed below, there are no other persons known to us to the beneficial owner of more than five percent of the outstanding shares of our common stock. Except as may be indicated in the footnotes to the table and subject to applicable community property laws, each such person has the sole voting and investment power with respect to the shares owned. The address of each person listed is in care of the Company, 3151 East Washington Blvd., Los Angeles, CA 90023, unless otherwise set forth below such person's name.

NAME AND ADDRESS -----	NUMBER OF SHARES OF COMMON STOCK BENEFICIALLY OWNED (1)	PERCENT (1) -----
DIRECTORS AND EXECUTIVE OFFICERS:		
Gerard Guez.....	12,883,084 (2)	38.7%
Todd Kay.....	4,995,999 (3)	15.1%
Barry Aved (former CEO).....	619,000 (4)	2.0%
Corazon Reyes (former CFO).....	284,888 (5)	*
Charles Ghailian.....	197,000 (6)	*
Stephane Farouze.....	100,000 (7)	*
Henry Chu	100,000 (6)	*
Milton Koffman.....	34,000 (8)	*
Joseph Mizrachi.....	28,000 (6)	*
Mitchell Simbal.....	24,000 (6)	*
Simon Mani.....	20,000 (6)	*
David N. Burke.....	0	--
DIRECTORS AND OFFICERS AS A GROUP (13 PERSONS)...	19,285,971 (9)	52.5%
OTHER 5% BENEFICIAL OWNERS:		
Guggenheim Capital, LLC..... 227 West Monroe Street, Chicago, IL 60606	3,500,000 (10)	10.3%
GMM Capital LLC..... 1450 Broadway, 38th Floor, New York, NY 10018	1,583,700 (11)	5.2%

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* Less than one percent.

- (1) Under Rule 13d-3, certain shares may be deemed to be beneficially owned by more than one person (if, for example, persons share the power to vote or the power to dispose of the shares). In addition, shares are deemed to be beneficially owned by a person if the person has the right to acquire the shares (for example, upon exercise of an option) within 60 days of the date as of which the information is provided. In computing the percentage ownership of any person, the amount of shares outstanding is deemed to include the amount of shares beneficially owned by such person (and only such person) by reason of these acquisition rights. As a result, the percentage of outstanding shares of any person as shown in this table does not necessarily reflect the person's actual ownership or voting power with respect to the number of shares of common stock actually outstanding at March 31, 2007. Percentage ownership is based upon 30,543,763 shares of common stock issued and outstanding as of March 31, 2007.
- (2) Includes 2,766,668 shares of common stock issuable upon exercise of stock options which are or will become exercisable on or prior to May 30, 2007. Mr. Guez has pledged an aggregate of 3,394,851 of such shares to financial institutions to secure the repayment of loans to Mr. Guez or corporations controlled by Mr. Guez.

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- (3) Includes 2,433,332 shares of common stock issuable upon exercise of stock options, which are or will become exercisable on or prior to May 30, 2007. Mr. Kay has pledged an aggregate of 1,115,000 of such shares to financial institutions to secure the repayment of loans to Mr. Kay or corporations controlled by Mr. Kay.
- (4) Includes 559,000 shares of common stock issuable upon exercise of stock options, which are or will become exercisable on or prior to May 30, 2007.
- (5) Includes 52,000 shares of common stock issuable upon exercise of stock options, which are or will become exercisable on or prior to May 30, 2007.
- (6) Consists of shares of common stock issuable upon exercise of stock options, which are or will become exercisable on or prior to May 30, 2007.
- (7) Includes 20,000 shares of common stock issuable upon exercise of stock options, which are or will become exercisable on or prior to May 30, 2007.
- (8) Includes 24,000 shares of common stock issuable upon exercise of stock options, which are or will become exercisable on or prior to May 30, 2007.
- (9) Includes 6,224,000 shares of common stock issuable upon exercise of stock options that are or will become exercisable on or prior to May 30, 2007.
- (10) Information taken from Schedule 13D filed with the SEC on June 27, 2006. Consists of shares of common stock issuable upon exercise of currently exercisable warrants. Guggenheim Capital, LLC exercises power over 1,892,857 shares through Guggenheim Investment Management, LLC and power over 1,607,143 shares through Midland Advisors Company, both of which are subsidiaries of Guggenheim Capital, LLC. Of these shares, Orpheus Holdings, LLC is the owner of warrants to purchase 1,892,587 shares. Guggenheim Investment Management, LLC is the manager of Orpheus Holdings, LLC and may be deemed to beneficially own such shares. Each of these persons disclaims membership in a group, as defined in Section 13(d)(3)

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of the Securities Exchange Act.
 (11) Information taken from Schedule 13G filed with the SEC on February 15, 2007. GMM Trust is the sole member of GMM Capital LLC and shares voting and investment power with respect to the shares.

The information as to shares beneficially owned has been individually furnished by the respective directors, named executive officers, and other shareholders of the Company, or taken from documents filed with the SEC.

EQUITY COMPENSATION PLAN INFORMATION

The following table sets forth certain information regarding our equity compensation plans as of December 31, 2006.

	NUMBER OF SECURITIES TO BE ISSUED UPON EXERCISE OF OUTSTANDING OPTIONS, WARRANTS AND RIGHTS	WEIGHTED-AVERAGE EXERCISE PRICE OF OUTSTANDING OPTIONS, WARRANTS AND RIGHTS	NUMBER OF SE REMAINING AVA FUTURE ISSUANCE COMPENSATIO
	-----	-----	-----
Equity compensation plans approved by security holders.....	7,673,659	\$5.52	3,872,
Equity compensation plans not approved by security holders.....	1,181,732	\$4.09	--
Total.....	-----	-----	-----
		\$5.33	3,872,

MATERIAL FEATURES OF INDIVIDUAL EQUITY COMPENSATION PLANS NOT APPROVED BY SHAREHOLDERS

Sanders Morris Harris Inc. acted as placement agent in connection with our October 2003 private placement financing transaction. As partial consideration for their services as placement agent, we issued to Sanders Morris Harris a warrant to purchase 881,732 shares of our common stock at an exercise price of \$4.65 per share. The warrant has a term of 5 years. As of April 17, 2004, the warrant became fully vested and exercisable.

Sanders Morris Harris Inc. acted as placement agent in connection with our January 2004 registered sale of 1,200,000 shares of our common stock. As partial consideration for their services as placement agent, we issued to Sanders Morris Harris a warrant to purchase 30,000 shares of our common stock at an exercise price of \$3.35 per share. The warrant is fully vested and exercisable and has a term of five years.

T.R. Winston & Company acted as placement agent in connection our December 2004 private placement financing transaction. As partial consideration for their services as placement agent, we issued T.R. Winston & Company a warrant to purchase 200,000 shares our common stock at an exercise price of \$2.50 per share. The warrant has a term of five years. The warrant will become vested and exercisable on June 14, 2005.

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Durham Capital Corporation acted as our advisor in connection with our 2006 credit facility with Guggenheim Corporate Funding as agent. As partial compensation for its services, we issued Durham Capital a warrant which is exercisable for 70,000 shares of our common stock. This warrant has a term of 10 years and is exercisable at a price of \$1.88 per share, subject to adjustment for certain dilutive issuances.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

REVIEW AND APPROVAL OF RELATED PERSON TRANSACTIONS

We have adopted, by resolution of our Board of Directors, a policy that any transactions between us and any of our affiliates or related parties, including our executive officers, directors, shareholders who own 5% or more of our common stock, the family members of those individuals and any of their affiliates, must (1) be approved by a majority of the members of the Board of Directors and by a majority of the disinterested members of the Board of Directors and (2) be on terms no less favorable to us than could be obtained from unaffiliated third parties.

REPORTABLE RELATED PERSON TRANSACTIONS

Other than the employment arrangements described elsewhere in this report and the transactions described below, since January 1, 2006, there has not been, nor is there currently proposed, any transaction or series of similar transactions to which we were or will be a party:

- o in which the amount involved exceeds \$120,000; and
- o in which any director, executive officer, shareholder who beneficially owns 5% or more of our common stock or any member of their immediate family had or will have a direct or indirect material interest.

We lease our principal offices and warehouse located in Los Angeles, California from GET and office space in Hong Kong from Lynx International Limited. GET and Lynx International Limited are each owned by Gerard Guez, our Chairman and Interim Chief Executive Officer, and Todd Kay, our Vice Chairman. We believe, at the time the leases were entered into, the rents on these properties were comparable to then prevailing market rents. During the first seven months of 2006, our Los Angeles offices and warehouse were leased on a month to month basis. On August 1, 2006, we entered into a lease agreement with GET for the Los Angeles offices and warehouse, which lease has a term of five years with an option to renew for an additional five year term. On February 1, 2007, we entered into a one year lease agreement with Lynx International Limited for our office space and warehouse in Hong Kong. We paid \$1,076,000 in 2006 in rent for office and warehouse facilities at these locations.

On May 1, 2006, we sublet a portion of our executive office in Los Angeles, California and our sales office in New York to Seven Licensing Company, LLC ("Seven Licensing") for a monthly payment of \$25,000 on a month to month basis. Seven Licensing is beneficially owned by Gerard Guez. We received \$200,000 in rental income from this sublease in the year ended December 31, 2006.

On September 1, 2006, our subsidiary in Hong Kong, Tarrant Company Limited, entered into an agreement with Seven Licensing to be its buying agent to source and purchase apparel merchandise. Total sales to Seven Licensing during the year ended December 31, 2006 were \$4.4 million.

In August 2004, we entered into an Agreement for Purchase of Assets with affiliates of Mr. Kamel Nacif, a shareholder at the time of the transaction, which agreement was amended in October 2004. Pursuant to the agreement, as amended, on November 30, 2004, we sold to the purchasers substantially all of our assets and real property in Mexico, including the equipment and facilities we previously leased to Mr. Nacif's affiliates in October 2003, for an aggregate purchase price consisting of: a) \$105,400 in cash and \$3,910,000 by delivery of unsecured promissory notes bearing interest at 5.5% per annum; and b) \$40,204,000, by delivery of secured promissory notes bearing interest at 4.5% per annum, with payments due on December 31, 2005 and every year thereafter until December 31, 2014. The secured promissory notes are payable in partial or total amounts anytime prior to the maturity of each note. As of September 30, 2006, the outstanding balance of the notes and interest receivables were \$41.1 million prior to the reserve. Historically, we have placed orders for purchases of fabric from the purchasers pursuant to the purchase commitment agreement we entered into at the time of the sale of the Mexico assets, and we have satisfied our payment obligations for the fabric by offsetting the amounts payable against the amounts due to us under the notes. However, during 2006, the purchasers ceased providing fabric and are not currently making payments under the notes. We further evaluated the recoverability of the notes receivable and recorded a loss on the notes receivable in the third quarter of 2006 in an amount equal to the outstanding balance less the value of the underlying assets securing the notes. The loss was estimated to be approximately \$27.1 million, resulting in a notes receivable balance at September 30, 2006 of approximately \$14 million. We believe there was no significant change subsequently on the value of the underlying assets securing the notes; therefore, we did not have additional reserve in the fourth quarter of 2006. We will continue to pursue payments on the notes receivable and believe the remaining \$14 million balance at December 31, 2006 is realizable.

Upon consummation of the sale of our Mexico assets, we entered into a purchase commitment agreement with the purchasers, pursuant to which we agreed to purchase annually over the ten-year term of the agreement, \$5 million of fabric manufactured at our former facilities acquired by the purchasers at negotiated market prices. This agreement replaced a previously existing purchase commitment agreement with Mr. Nacif's affiliates. We did not purchase any fabric under this agreement in 2006. Net amount due from Mr. Kamel Nacif and his affiliates was \$116,000 as of December 31, 2006.

From time to time in the past, we had advanced funds to Mr. Guez. These were net advances to Mr. Guez or payments paid on his behalf before the enactment of the Sarbanes-Oxley Act in 2002. The promissory note documenting these advances contains a provision that the entire amount together with accrued interest is immediately due and payable upon our written demand. The greatest outstanding balance of such advances to Mr. Guez during 2006 was approximately \$2,279,000. At December 31, 2006, the entire balance due from Mr. Guez totaling \$2.2 million was reflected as a reduction of shareholders' equity. All amounts due from Mr. Guez bore interest at the rate of 7.75% during the period. Total interest paid by Mr. Guez was \$171,000 for the year ended December 31, 2006. Mr. Guez paid expenses on our behalf of approximately \$299,000 for the year ended December 31, 2006, which amounts were applied to reduce accrued interest and principal on Mr. Guez's loan. These amounts included fuel and related expenses incurred by 477 Aviation, LLC, a company owned by Mr. Guez, when our executives used this company's aircraft for business purposes. Since the enactment of the Sarbanes-Oxley Act in 2002, no further personal loans (or amendments to existing loans) have been or will be made to officers or directors of Tarrant.

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We purchased \$1.1 million of fabric from Azteca Production International, Inc. and its affiliates for the year ended December 31, 2006. Our total sales of fabric and services to Azteca Production International in 2006 were \$9,000. Azteca Production International is owned by the brothers of Gerard Guez.

We purchased \$205,000 of trim from Tag-It Pacific, Inc. for the year ended December 31, 2006. At December 31, 2006, Gerard Guez and Todd Kay beneficially owned 488,400 and 1,003,500 shares, respectively, of common stock of Tag-It Pacific, collectively representing 8.1% of Tag-It Pacific's common stock.

DIRECTOR INDEPENDENCE

A majority of our Board of Directors is comprised of "independent" directors within the meaning of the applicable rules for companies traded on the NASDAQ Global Market. During 2006, the Board determined that each of Stephane Farouze, Milton Koffman, Simon Mani, Joseph Mizrachi, and Mitchell Simbal were independent.

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ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The Audit Committee of our Board of Directors is responsible for the appointment, compensation, retention and oversight of the work of the independent auditors. Singer Lewak Greenbaum & Goldstein LLP audited our consolidated financial statements for the fiscal years ended December 31, 2006 and 2005.

AUDIT FEES

Singer Lewak Greenbaum & Goldstein billed us an aggregate of approximately \$391,000 in fees for audit services associated with the audit of our annual financial statements for the fiscal year ended December 31, 2006 and the review of our financial statements included in our quarterly reports on Form 10-Q for 2006. Singer Lewak Greenbaum & Goldstein billed us an aggregate of approximately \$265,000 in fees for audit services associated with the audit of our annual financial statements for the fiscal year ended December 31, 2005. Grant Thornton LLP (our prior principal accountants) billed us an aggregate of approximately \$93,000 in fees for the review of our financial statements included in our quarterly reports on Form 10-Q for 2005.

AUDIT-RELATED FEES

Singer Lewak Greenbaum & Goldstein billed us \$0 in fees for audit-related services for the years ended December 31, 2006 and 2005, respectively. Audit-related services principally include assurance and related services that are reasonably related to the performance of the audit or review of our financial statements and are not reported under "Audit Fees" above.

TAX FEES

Singer Lewak Greenbaum & Goldstein billed us \$0 for tax services during the years ended December 31, 2006 and 2005, which would include services for tax compliance, tax advice and tax planning.

ALL OTHER FEES

Singer Lewak Greenbaum & Goldstein billed us \$99,000 and \$0 in fees for the

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years ended December 31, 2006 and 2005, respectively, other all services provided during such periods and not otherwise described above. For 2006, these fees were for due diligence and related services in connection with financing and acquisition activities.

All of the services described above were approved by our Audit Committee.

POLICY ON AUDIT COMMITTEE PRE-APPROVAL OF AUDIT AND PERMISSIBLE NON-AUDIT SERVICES OF INDEPENDENT AUDITORS

Consistent with policies of the Securities and Exchange Commission regarding auditor independence, the Audit Committee has responsibility for appointing, setting compensation and overseeing the work of the independent auditor. In recognition of this responsibility, the Audit Committee has established a policy to pre-approve all audit and permissible non-audit services provided by the independent auditor. Our Audit Committee has considered whether the provision of non-audit services is compatible with maintaining the independent accountant's independence, and has approved any such services.

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PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

- (a) Financial Statements and Schedule. (Previously filed with the Original Filing.)
- (b) Exhibits.
 - 31.1 Certificate of Chief Executive Officer pursuant to Rule 13a-14(a) under the Securities and Exchange Act of 1934, as amended.
 - 31.2 Certificate of Chief Financial Officer pursuant to Rule 13a-14(a) under the Securities and Exchange Act of 1934, as amended.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

TARRANT APPAREL GROUP

By: /S/ GERARD GUEZ

Gerard Guez
Interim Chief Executive Officer

POWER OF ATTORNEY

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Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

SIGNATURE	TITLE	DATE
/S/ GERARD GUEZ ----- Gerard Guez	Chairman of the Board of Directors and Interim Chief Executive Officer (Principal Executive Officer)	April 30, 2007
/S/ DAVID N. BURKE ----- David N. Burke	Chief Financial Officer (Principal Financial and Accounting Officer)	April 30, 2007
* ----- Todd Kay	Vice Chairman of the Board of Directors	April 30, 2007
* ----- Milton Koffman	Director	April 30, 2007
* ----- Stephane Farouze	Director	April 30, 2007
* ----- Mitchell Simbal	Director	April 30, 2007
* ----- Joseph Mizrachi	Director	April 30, 2007
* ----- Simon Mani	Director	April 30, 2007

* By: /S/ GERARD GUEZ

Gerard Guez, Attorney-in-fact