

Endeavor Acquisition Corp.  
Form 10-Q  
November 09, 2007  
Table of Contents

---

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

\_\_\_\_\_  
**FORM 10-Q**  
\_\_\_\_\_

(Mark One)

**Quarterly report under Section 13 or 15(d) of the Securities Exchange Act of 1934**  
For the quarterly period ended September 30, 2007

**Transition report under Section 13 or 15(d) of the Exchange Act**  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 001-32697

\_\_\_\_\_  
**Endeavor Acquisition Corp.**

(Exact Name of Issuer as Specified in Its Charter)

\_\_\_\_\_

**Delaware**  
(State or other Jurisdiction of

Incorporation or Organization)

**970 West Broadway, PMB 402, Jackson, Wyoming 83001**

(Address of Principal Executive Office)

**(307) 633-2831**

(Issuer's Telephone Number, Including Area Code)

**20-3200601**  
(I.R.S. Employer

Identification No.)

## Edgar Filing: Endeavor Acquisition Corp. - Form 10-Q

---

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 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  No

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 (Check one).

Large accelerated filer  Accelerated filer  Non-accelerated filer

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

As of November 9, 2007, 19,910,745 shares of common stock, par value \$.0001 per share, were issued and outstanding.

---

**Table of Contents**

**Table of Contents**

Endeavor Acquisition Corp.

(a development stage enterprise)

	<b>Page</b>
<b><u>Part I: Financial Information:</u></b>	
<b><u>Item 1 Financial Statements:</u></b>	3
<u>Condensed Balance Sheets as of September 30, 2007 (Unaudited) and December 31, 2006</u>	3
<u>Condensed Statements of Operations (Unaudited) for the Three Months Ended September 30, 2007 and 2006 and for the Nine Months Ended September 30, 2007 and 2006 and the Period July 22, 2005 (inception) to September 30, 2007</u>	4
<u>Condensed Statement of Stockholders' Equity (Unaudited) for the Nine Months Ended September 30, 2007</u>	5
<u>Condensed Statements of Cash Flows (Unaudited) for the Nine Months Ended September 30, 2007 and 2006 and the Period July 22, 2005 (inception) to September 30, 2007</u>	6
<u>Notes to Unaudited Condensed Financial Statements</u>	7
<b><u>Item 2 Management's Discussion and Analysis of Financial Condition And Results of Operations</u></b>	13
<b><u>Item 4 Controls and Procedures</u></b>	15
<b><u>Part II. Other Information</u></b>	
<b><u>Item 1A Risk Factors</u></b>	16
<b><u>Item 2 Unregistered Sales of Equity Securities and Use of Proceeds</u></b>	16
<b><u>Item 6 Exhibits</u></b>	16
<b><u>Signatures</u></b>	17
<b>Certifications</b>	

**Table of Contents****Part I: Financial Information****Item 1 Financial Statements**

	<b>Endeavor Acquisition Corp.</b>	
	<b>(a development stage enterprise)</b>	
	<b>Condensed Balance Sheets</b>	
	<b>September 30, 2007</b>	<b>December 31, 2006</b>
	<b>(unaudited)</b>	
<b>Assets</b>		
Current assets:		
Cash	\$ 101,007	\$ 166,527
Cash held in Trust Fund	128,374,498	125,113,007
Prepaid expenses and other current assets	28,476	116,738
Total current assets	128,503,981	125,396,272
Deferred acquisition costs	431,314	145,808
Equipment, net of accumulated depreciation \$1,767 and \$631, respectively	2,777	3,914
Total assets	\$ 128,938,072	\$ 125,545,994
<b>Liabilities and Stockholders Equity</b>		
Current liabilities:		
Accrued expenses	\$ 599,241	\$ 260,076
Notes payable related party	475,000	
Total current liabilities	1,074,241	260,076
<b>Common Stock</b> , subject to possible conversion, 3,232,148 shares at conversion value	25,673,970	25,021,696
<b>Commitment and Contingencies</b>		
<b>Stockholders Equity</b>		
Preferred stock, \$.0001 par value, authorized 1,000,000 shares; none issued		
Common stock, \$.0001 par value, authorized 75,000,000 shares, issued and outstanding 19,910,745 shares (less 3,232,148 subject to possible conversion)	1,668	1,668
Additional paid-in capital	96,685,829	97,338,103
Earnings accumulated during development stage	5,502,364	2,924,451
Total stockholders equity	102,189,861	100,264,222
Total liabilities and stockholders equity	\$ 128,938,072	\$ 125,545,994

*The accompanying notes are an integral part of these unaudited condensed financial statements.*

**Table of Contents**

	<b>Endeavor Acquisition Corp.</b>				
	<b>(a development stage enterprise)</b>				
	<b>Condensed Statements of Operations</b>				
	<b>(unaudited)</b>				
	<b>For the Three and Nine Months Ended September 30, 2007 and 2006,</b>				
	<b>And the period July 22, 2005 (inception) to September 30, 2007</b>				
	<b>For the</b>	<b>For the</b>	<b>For the</b>	<b>For the</b>	
	<b>three</b>	<b>three</b>	<b>nine</b>	<b>nine</b>	
	<b>months</b>	<b>months</b>	<b>months</b>	<b>months</b>	
	<b>ended</b>	<b>ended</b>	<b>ended</b>	<b>ended</b>	<b>For the period July 22,</b>
	<b>September 30,</b>	<b>September 30,</b>	<b>September 30,</b>	<b>September 30,</b>	<b>2005 (inception) to</b>
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>	<b>September 30,</b>
					<b>2007</b>
Revenue	\$	\$	\$	\$	\$
General, selling and administrative expenses	172,404	286,512	686,325	705,560	1,854,086
Operating Loss	(172,404)	(286,512)	(686,325)	(705,560)	(1,854,086)
Dividend and interest income	1,112,492	1,031,673	3,264,238	2,897,916	7,356,450
Income before provision for income taxes	940,088	745,161	2,577,913	2,192,356	5,502,364
Benefit for income taxes		252,148			
Net income	940,088	997,309	2,577,913	2,192,356	5,502,364
Accretion of Trust Fund relating to Common Stock subject to possible conversion	(222,490)	(205,725)	(652,274)	(579,786)	(1,469,614)
Net income attributable to common stockholders	\$ 717,598	\$ 791,584	\$ 1,925,639	\$ 1,612,570	\$ 4,032,750
Weighted average basic shares outstanding	16,678,713	16,678,713	16,678,713	16,668,470	
Weighted average diluted shares outstanding	16,739,305	16,678,713	16,748,738	16,668,470	
Basic income per share	\$ .04	\$ .05	\$ .12	\$ .10	
Diluted income per share	\$ .04	\$ .05	\$ .11	\$ .10	

*The accompanying notes are an integral part of these unaudited condensed financial statements.*

**Table of Contents**

**Endeavor Acquisition Corp.**

**(a development stage enterprise)**

**Condensed Statement of Stockholders Equity**

**(unaudited)**

**For the Nine Months Ended September 30, 2007**

	Common Stock		Additional paid-	Earnings accumulated during development stage	Total stockholders equity
	Shares	Amount	in capital		
Balance, January 1, 2007	19,910,745	\$ 1,668	\$ 97,338,103	\$ 2,924,451	\$ 100,264,222
Accretion of Trust Fund relating to Common Stock subject to possible conversion			(652,274)		(652,274)
Net income for the nine months ended September 30, 2007				2,577,913	2,577,913
Balance, September 30, 2007	19,910,745	\$ 1,668	\$ 96,685,829	\$ 5,502,364	\$ 102,189,861

*The accompanying notes are an integral part of these unaudited condensed financial statements.*

**Table of Contents**

**Endeavor Acquisition Corp.**  
**(a development stage enterprise)**  
**Condensed Statements of Cash Flows**  
**(unaudited)**

**For the Nine Months Ended September 30, 2007 and 2006 and**  
**For the Period July 22, 2005 (inception) to September 30, 2007**

	For the Nine months ended September 30, 2007	For the Nine months ended September 30, 2006	For the period July 22, 2005 (inception) to September 30, 2007
<b>Cash Flows from Operating Activities</b>			
Net income	\$ 2,577,913	\$ 2,192,356	\$ 5,502,364
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	1,137	252	1,767
Changes in operating assets and liabilities:			
Decrease (increase) in prepaid expenses and other current assets	88,262	120,922	(28,476)
Increase in accrued expenses	53,659	148,778	167,927
Net cash provided by operating activities	2,720,971	2,462,308	5,643,582
<b>Cash Flows from Investing Activities</b>			
Cash held in Trust Fund	(3,261,491)	(11,735,137)	(128,374,498)
Purchase of equipment		(4,545)	(4,545)
Net cash used in investing activities	(3,261,491)	(11,739,682)	(128,379,043)
<b>Cash Flows from Financing Activities</b>			
Proceeds from sale of stock to initial stockholders			25,000
Gross proceeds from initial public offering			120,000,000
Gross proceeds from overallotment option		9,285,860	9,285,860
Proceeds from issuance of option			100
Payment of offering costs		(445,727)	(6,949,492)
Proceeds from issuance of notes payable related party	475,000		475,000
Net cash provided by financing activities	475,000	8,840,133	122,836,468
Net (decrease) increase in cash	(65,520)	(437,241)	101,007
Cash at beginning of the period	166,527	1,144,634	
Cash at end of the period	\$ 101,007	\$ 707,393	\$ 101,007

**Supplemental Disclosures of Noncash Transactions:**

Accrual of deferred acquisition costs:			
Deferred acquisition costs	\$	285,506	\$ 431,314
Accrued expenses payable		(285,506)	(431,314)
	\$		\$

*The accompanying notes are an integral part of these unaudited condensed financial statements.*



---

**Table of Contents**

**ENDEAVOR ACQUISITION CORP.**

**(A DEVELOPMENT STAGE ENTERPRISE)**

**NOTES TO UNAUDITED CONDENSED FINANCIAL STATEMENTS**

**FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2007 AND 2006 AND**

**THE PERIOD JULY 22, 2005 (INCEPTION) TO SEPTEMBER 30, 2007**

**1. Interim Financial Information**

Endeavor Acquisition Corp. (the Company) unaudited condensed interim financial statements as of September 30, 2007 and for the three and nine months ended September 30, 2007 and 2006, and for the period July 22, 2005 (inception) to September 30, 2007 have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) for interim financial information and with the instructions to Form 10-Q. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. In addition, the December 31, 2006 balance sheet data was derived from the audited financial statements, but does not include all disclosures required by GAAP. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the interim period presented are not necessarily indicative of the results to be expected for any other interim period or for the full year.

These unaudited condensed interim financial statements should be read in conjunction with the audited financial statements and notes thereto for the fiscal year ended December 31, 2006 included in the Company's Form 10-K for the fiscal year ended December 31, 2006, filed on March 16, 2007. The accounting policies used in preparing these unaudited condensed financial statements are consistent with those described in the December 31, 2006 audited financial statements except for the adoption of FIN 48 which is discussed in Note 9.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting period. Actual results could differ from those estimates.

**2. Organization and Business Operations**

The Company was incorporated in Delaware on July 22, 2005 as a blank check company, whose objective is to acquire an operating business.

All activity from July 22, 2005 through December 21, 2005 related to the Company's formation and initial public offering as described below. Since December 22, 2005, the Company has been searching for a target business to acquire. The Company has selected December 31 as its fiscal year end.

The Company's management has broad discretion with respect to the specific application of the net proceeds of this Offering, although substantially all of the net proceeds of this Offering are intended to be generally applied toward consummating a business combination with an

## Edgar Filing: Endeavor Acquisition Corp. - Form 10-Q

operating business ( Business Combination ). Furthermore, there is no assurance that the Company will be able to successfully

---

**Table of Contents**

effect a Business Combination. An amount of \$121,030,234 of the net proceeds from the initial public offering and the exercise of the underwriters' overallotment option was deposited and is being held in an interest-bearing trust account ( "Trust Account" ) until the earlier of (i) the consummation of a Business Combination or (ii) liquidation of the Company. As of September 30, 2007, the balance in the Trust Account was \$128,374,498, which includes \$7,344,264 of cumulative interest and dividends earned since inception of the Trust Account. Under the agreement governing the Trust Account, funds will only be invested in United States government securities within the meaning of Section 2(a)(16) of the Investment Company Act of 1940, having a maturity of 180 days or less, or in money market funds meeting certain conditions under Rule 2a-7 promulgated under the Investment Company Act of 1940. The remaining net proceeds (not held in the Trust Account) may be used to pay for business, legal and accounting due diligence on prospective acquisitions and continuing general and administrative expenses.

The Company, after signing a definitive agreement for the acquisition of a target business, will submit such transaction for stockholder approval. In the event that stockholders owning 20% or more of the shares sold in the Offering vote against the Business Combination and exercise their conversion rights described below, the Business Combination will not be consummated.

All of the Company's stockholders prior to the Offering, including all of the officers and directors of the Company ( "Initial Stockholders" ), have agreed to vote their 3,750,000 founding shares of common stock in accordance with the vote of the majority in interest of all other stockholders of the Company ( "Public Stockholders" ) with respect to any Business Combination. After consummation of a Business Combination, these voting safeguards will no longer be applicable.

With respect to a Business Combination which is approved and consummated, any Public Stockholder who voted against the Business Combination may demand that the Company convert their shares. The per share conversion price will equal the amount in the Trust Account, calculated as of two business days prior to the consummation of the proposed Business Combination, divided by the number of shares of common stock held by Public Stockholders at the consummation of the Offering. Accordingly, Public Stockholders holding 20% (less one share) of the aggregate number of shares owned by all Public Stockholders may seek conversion of their shares in the event of a Business Combination. Such Public Stockholders are entitled to receive their per share interest in the Trust Account computed without regard to the shares held by Initial Stockholders. Accordingly, a portion of the net proceeds from the offering (20% (less one share value) of the amount held in the Trust Account) amounting to \$25,673,970 has been classified as common stock subject to possible conversion in the accompanying September 30, 2007 unaudited condensed balance sheet.

---

**Table of Contents**

The Company's Certificate of Incorporation provides for mandatory liquidation of the Company in the event that the Company does not consummate a Business Combination within 18 months from the date of the consummation of the Offering (July 21, 2007), or 24 months from the consummation of the Offering (December 21, 2007) if certain extension criteria have been satisfied. The extension criteria was satisfied by filing a definitive agreement stating that the Company intends to acquire American Apparel, Inc. and its affiliated companies (collectively American Apparel) in an 8K filed with the SEC on December 20, 2006. In the event of liquidation, it is likely that the per share value of the residual assets remaining available for distribution (including Trust Account assets) will be less than the initial public offering price per share in the Offering due to costs related to the Offering and since no value would be attributed to the Warrants contained in the Units sold.

Management does not believe that any recently issued, but not yet effective, accounting standards if currently adopted would have a material effect on the accompanying unaudited interim condensed financial statements.

**3. Going Concern and Management Plans**

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.

**4. Notes Payable - Related Party**

On March 8, 2007, the Company borrowed funds from two of the Company's officers. The Company issued two promissory notes in the amount of \$75,000 each. The principal balance of these notes shall be repayable on the earlier of the consummation of the Company's business combination with American Apparel or upon demand by the officers. These promissory notes are noninterest bearing.

On April 30, 2007, the Company borrowed funds from two of the Company's officers. The Company issued two promissory notes in the amount of \$87,500 each. The principal balance of these notes shall be repayable on the earlier of the consummation of the Company's business combination with American Apparel or upon demand by the officers. These promissory notes are non-interest bearing.

On August 31, 2007, the Company borrowed funds from two of the Company's officers. The Company issued two promissory notes in the amount of \$75,000 each. The principal balance of these notes shall be repayable on the earlier of the consummation of the Company's business combination with American Apparel or upon demand by the officers. These promissory notes are non-interest bearing.

**Table of Contents****5. Earnings Per Share**

Basic earnings per share ( EPS ) is computed by dividing net income available to common stockholders by the weighted-average number of shares of common stock outstanding during the period. Diluted earnings per share is calculated by dividing net income available to common stockholders by the weighted-average number of shares of common stock and the dilutive effect of outstanding Units as if exercised. Common shares subject to possible conversion of 3,232,148 have been excluded from the calculation of basic earnings per share since such shares, if redeemed, only participate in their pro-rata shares of the trust earnings. The September 30, 2006 earnings per share presentation for the three and nine months ended September 30, 2006 was revised to conform with this policy and to the current three and nine months presentation. The conversion of the outstanding warrants, totaling 16,160,745, is contingent upon the occurrence of future events, and therefore, is not includable in the calculation of diluted earnings per share in accordance with Statement of Financial Accounting Standards ( SFAS ) No. 128, Earnings per Share. The following is a reconciliation between basic and diluted EPS:

	Three Months Ended		Nine Months Ended	
	September 30, 2007	September 30, 2006	September 30, 2007	September 30, 2006
<b>Numerator:</b>				
Numerator for basic and diluted EPS net income attributable to common stockholders	\$ 717,598	791,584	1,925,639	1,612,570
<b>Denominator:</b>				
Denominator for basic EPS weighted average shares outstanding	16,678,713	16,678,713	16,678,713	16,668,470
Effect of dilutive units	60,592		70,025	
Denominator for dilutive EPS weighted average shares	16,739,305	16,678,713	16,748,738	16,668,470
Basic EPS	\$ .04	\$ .05	\$ .12	\$ .10
Diluted EPS	\$ .04	\$ .05	\$ .11	\$ .10

**6. Commitment and Contingencies**

The Company has previously been incurring a fee from Ironbound Partners Fund LLC, an affiliate of Jonathan J. Ledecy, our president and secretary, of \$7,500 per month for providing the Company with office space and certain general and administrative services. This relationship has been terminated as of January 1, 2007. The Company entered into a month to month lease agreement with an unaffiliated party for the period January 1, 2007 through April 30, 2007. The Company subsequently paid rent expense from May 1, 2007 to September 30, 2007 as needed. During the three and nine months ended September 30, 2007 the Company incurred \$0 and \$12,000 rent expense, respectively. As of November 1, 2007 the Company will lease office space for the benefit of their consultants from an unaffiliated party at the cost of \$2,500 per month.

Pursuant to letter agreements with the Company and Ladenburg Thalmann & Co. Inc., the representative of the underwriters in the Offering ( Representative ), the Initial Stockholders have waived their rights to receive distributions with respect to their founding shares upon the Company's liquidation.



---

**Table of Contents**

The Initial Stockholders are entitled to registration rights with respect to their founding shares pursuant to an agreement dated December 15, 2005. The holders of the majority of these shares are entitled to make up to two demands that the Company register these shares at any time commencing three months prior to the third anniversary of the effective date of the Offering. In addition, the Initial Stockholders have certain piggy-back registration rights on registration statements filed subsequent to the third anniversary of the effective date of the Offering.

The Company entered into a consulting agreement with a consultant on July 17, 2006 to perform services through December 15, 2007. The Company pays the consultant a fee of \$125,000 per year and the Company will issue to the consultant 12,500 shares of the Company's common stock upon the closing of the initial business combination by the Company. The Company will also issue to the consultant an additional 12,500 shares of the Company's common stock six months after closing of the initial business combination by the Company.

In December 2006, the Company retained the services of ICR, LLC (ICR) as an investor relations consultant to assist the Company in developing and disseminating investor presentations and communications. The Company pays ICR a fee of \$12,000 per month, plus expenses, and will issue ICR 9,700 shares of the Company's common stock upon consummation of the pending acquisition (see Note 8).

**7. Initial Public Offering**

On December 21, 2005, the Company sold 15,000,000 units (Units) in the Offering at \$8.00 per Unit. On January 5, 2006, the Company sold an additional 1,160,745 Units pursuant to the underwriters' over-allotment option. Each Unit consists of one share of the Company's common stock, \$.0001 par value, and one Redeemable Common Stock Purchase Warrant (Warrants). Each Warrant entitles the holder to purchase from the Company one share of common stock at an exercise price of \$6.00 commencing the later of the completion of a Business Combination or December 15, 2006 and expiring on December 14, 2009. The Warrants will be redeemable by the Company, at a price of \$.01 per Warrant upon 30 days' notice after the Warrants become exercisable, only in the event that the last sale price of the common stock is at least \$11.50 per share for any 20 trading days within a 30 trading day period ending on the third day prior to the date on which notice of redemption is given. There is no cash settlement option for the Warrants. In connection with this Offering, the Company issued an option, for \$100, to the Representative to purchase 350,000 Units at an exercise price of \$10.00 per Unit. The Company has accounted for the fair value of the option, inclusive of the receipt of the \$100 cash payment, as an expense of the public offering resulting in a charge directly to stockholders equity. The Company estimated that the fair value of this option is approximately \$703,500 (\$2.01 per Unit) using a Black-Scholes option-pricing model. The fair value of the option granted to the Representative is estimated as of the date of grant using the following assumptions: (1) expected volatility of 52.7%, (2) risk-free interest rate of 4.43%, (3) expected life of two years and 30 days and (4) dividend rate of zero. The option may be exercised for cash or on a cashless basis at the holder's option, such that the holder may use the appreciated value of the option (the difference between the exercise prices of the option and the underlying Warrants and the market price of the Units and underlying securities) to exercise the option without the payment of any cash. There is no cash settlement option for the underwriters' purchase options, or for the Warrants contained in the units to be purchased by the underwriters.

**8. Pending Acquisition**

On December 18, 2006, the Company entered into an agreement and plan of reorganization (Agreement) by which it will acquire American Apparel. American Apparel is provider of cotton leisure wear geared toward contemporary metropolitan adults and sold through company-owned retail locations and online.

## Edgar Filing: Endeavor Acquisition Corp. - Form 10-Q

In exchange for a 100% equity of American Apparel, the Company will issue 32,258,065 shares of its common stock ( Transaction Shares ), subject to downward adjustment based on American Apparel s net debt immediately prior to closing of the acquisition. 8,064,516 of the Transaction Shares will be placed into escrow to secure the Company s indemnity rights under the Agreement. The Agreement also provides for a \$2.5 million cash pool to be available for the granting of bonuses to



---

**Table of Contents**

management employees immediately following the closing of the acquisition. American Apparel also will be permitted to repay at the closing of the acquisition loans made to American Apparel by certain of its directors, officers and employees in an aggregate amount of approximately \$15,000,000. The Company also will adopt a performance equity plan under which an aggregate of approximately 2,710,000 shares will be available for grant under options and restricted stock awards to employees.

The Company will submit such transaction for stockholder approval. The Company expects that the transaction will be consummated in December 2007, after the required approval by its stockholders. As of September 30, 2007, the Company has capitalized \$431,314 of acquisition costs in connection with this acquisition. There can be no assurance that the acquisition will be completed.

On November 6, 2007, the Company entered into an amended Acquisition Agreement ( Amended Agreement ) under which the number of Transaction Shares issued by the Company at the closing of the acquisition increased from 32,258,065 to 37,258,065 while at the same time increasing the level of American Apparel's net debt above which there would be a downward adjustment in the number of shares issued at the closing of the acquisition from \$110 million to \$150 million. The Amended Agreement also increased the size of the 2007 performance equity plan from 2,710,000 shares to 7,710,000 shares and provides that stock awards for an aggregate of 2,710,000 shares would be allocated and issued thereunder after consummation of the closing and upon filing of an effective registration statement.

**9. Uncertain Tax Positions**

Effective January 1, 2007, the Company adopted the provisions of the Financial Accounting Standards Board ( FASB ) Interpretation No. 48, Accounting for Uncertainty in Income Taxes an interpretation of FASB Statement No. 109 ( FIN 48 ). There were no unrecognized tax benefits as of January 1, 2007 and as of September 30, 2007. FIN 48 prescribes a recognition threshold and a measurement attribute for the financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more-likely-than-not to be sustained upon examination by taxing authorities. The Company has identified its federal tax return and its state tax return in New York as major tax jurisdictions, as defined in FIN 48. The Company's evaluations were performed for tax years ended 2005 and 2006, the only periods subject to examination. The Company believes that its income tax positions and deductions would be sustained on audit and does not anticipate any adjustments that would result in a material change to its financial position. The Company recognizes accrued interest and penalties related to unrecognized tax benefits as income tax expense. No amounts were accrued for the payment of interest and penalties at January 1, 2007. There was no change to this balance at September 30, 2007. The Company does not expect its unrecognized tax benefit position to change during the next twelve months. Management is currently unaware of any issues under review that could result in significant payments, accruals or material deviations from its position. The adoption of the provisions of FIN 48 did not have a material impact on the Company's financial position, results of operations and cash flows.

## **Table of Contents**

### **ITEM 2 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

The following discussion should be read in conjunction with our Unaudited Interim Condensed Financial Statements and footnotes thereto contained in this report.

#### **Forward Looking Statements**

All statements other than statements of historical fact included in this Form 10-Q including, without limitation, statements under Management's Discussion and Analysis or Plan of Operation regarding our financial position, business strategy and the plans and objectives of management for future operations, are forward looking statements. When used in this Form 10-Q, words such as anticipate, believe, estimate, expect, intend and similar expressions, as they relate to us or our management, identify forward looking statements. Such forward looking statements are based on the beliefs of management, as well as assumptions made by, and information currently available to, our management. Actual results could differ materially from those contemplated by the forward looking statements as a result of certain factors detailed in our filings with the Securities and Exchange Commission. All subsequent written or oral forward looking statements attributable to us or persons acting on our behalf are qualified in their entirety by this paragraph.

#### **Overview**

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

#### **Results of Operations**

For the three months ended September 30, 2007, we had a net income of \$940,088 consisting of \$1,112,492 of dividend and interest income offset by \$172,404 of general, selling and administrative expenses.

For the three months ended September 30, 2006, we had a net income of \$997,309 consisting of \$1,031,673 of dividend and interest income offset by \$286,512 of general, selling and administrative expenses and \$252,148 of benefit for income taxes. State and local taxes were being accrued on the net income through September 30, 2006. After we completed our tax return, it was determined that the interest and dividends on the trust fund were exempt from state and local tax and accordingly such accrual was subsequently reversed.

For the nine months ended September 30, 2007, we had a net income of \$2,577,913 consisting of \$3,264,238 of dividend and interest income offset by \$686,325 of general, selling and administrative expenses.

For the nine months ended September 30, 2006, we had a net income of \$2,192,356 consisting of \$2,897,916 of dividend and interest income offset by \$705,560 of general, selling and administrative expenses.

For the period from July 22, 2005 (inception) to September 30, 2007, we had a net income of \$5,502,364 consisting of \$7,356,450 of dividend and interest income offset by \$1,854,086 of general, selling and administrative expenses.

#### **Financial Condition and Liquidity**

We consummated our initial public offering on December 21, 2005. On January 5, 2006, we consummated the closing of an additional 1,160,745 units which were subject to the over-allotment option. Gross proceeds from our initial public offering, including the over-allotment option, were \$129,285,959. We paid a total of \$6,205,726 in underwriting discounts and commissions and \$743,766 for other costs and expenses related to the offering and the over-allotment option. After deducting the underwriting discounts and commissions and the offering expenses, the total net proceeds to us from the offering were \$122,336,467, of which \$121,030,234 was deposited into the Trust Account and the remaining proceeds of \$1,306,233 became available to be used to provide for business, legal and accounting due diligence on prospective business combinations and continuing general and administrative

---

**Table of Contents**

expenses. We intend to use substantially all of the net proceeds of this offering to acquire a target business, including identifying and evaluating prospective acquisition candidates, selecting the target business, and structuring, negotiating and consummating the business combination. Through September 30, 2007, \$431,314 of expenses were incurred to acquire a target business. To the extent that our capital stock is used in whole or in part as consideration to effect a business combination, the proceeds held in the trust fund as well as any other net proceeds not expended will be used to finance the operations of the target business. At September 30, 2007, we had current assets (excluding cash held in the Trust Account) of \$129,483 and current liabilities of \$1,074,241, leaving us with negative working capital of \$944,758, net of \$128,374,498 which is cash held in the Trust Account. Our officers have agreed to advance us enough capital in order to consummate the acquisition of American Apparel, Inc. and its affiliated companies ( American Apparel ) described below.

Our Certificate of Incorporation provides for our mandatory liquidation in the event that we do not consummate a business combination within 18 months from the date of the consummation of the Offering (July 21, 2007), or 24 months from the consummation of the Offering (December 21, 2007) if certain extension criteria have been satisfied. The extension criteria was satisfied by filing a definitive agreement by which the Company intends to acquire American Apparel in an 8K filed with the SEC on December 20, 2006. In the event of liquidation, it is likely that the per share value of the residual assets remaining available for distribution (including Trust Account assets) will be less than the Offering price per share in the Offering due to costs related to the Offering and since no value would be attributed to the warrants contained in the units sold. There is no assurance the acquisition will be consummated. This raises 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.

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

On March 8, 2007, the Company borrowed funds from two of the Company's officers. The Company issued two promissory notes in the amount of \$75,000 each. The principal balance of these notes shall be repayable on the earlier of the consummation of the Company's business combination with American Apparel or upon demand by the officers. These promissory notes are noninterest bearing.

On April 30, 2007, the Company borrowed an additional \$87,500 from both Jonathan J. Ledecy and Eric J. Watson, our Chairman of the Board and Treasurer. These promissory notes are non interest bearing and are payable on demand or at the consummation of the Company's business combination with American Apparel.

On August 8, 2007, the Company borrowed an additional \$75,000 from both Jonathan J. Ledecy and Eric J. Watson, our Chairman of the Board and Treasurer. These promissory notes are non interest bearing and are payable on demand or at the consummation of the Company's business combination with American Apparel.

We entered into a consulting agreement with a consultant on July 17, 2006 to perform services through December 15, 2007. We pay the consultant a fee of \$125,000 per year and we will issue to the consultant 12,500 shares of our common stock upon the closing of the initial business combination. We will also issue to the consultant an additional 12,500 shares of our common stock six months after closing of the initial business combination by us.

In December 2006, we retained the services of ICR, LLC ( ICR ) as an investor relations consultant to assist us in developing and disseminating investor presentations and communications. We pay ICR a fee of \$12,000 per month, plus expenses, and will issue ICR 9,700 shares of our common stock upon consummation of the acquisition of American Apparel.

On December 18, 2006, we entered into an Agreement by which we will acquire American Apparel. In exchange for all of the securities of the American Apparel companies outstanding immediately prior to the acquisition, we will issue 32,258,065 Transaction Shares, subject to downward adjustment based on American Apparel's net debt immediately prior to closing of the acquisition. 8,064,516 of the Transaction Shares will be placed into escrow to secure our indemnity rights under the Agreement. The Agreement also provides for a \$2,500,000 cash pool to be available for the granting of bonuses to management employees immediately



**Table of Contents**

following the closing of the acquisition. American Apparel also will be permitted to repay at the closing of the acquisition loans made to American Apparel by certain of its directors, officers and employees in an aggregate amount of approximately \$15,000,000. We also will adopt a performance equity plan under which an aggregate of approximately 2,710,000 shares will be available for grant under options and restricted stock awards to employees.

On November 6, 2007, we entered into an amended Acquisition Agreement ( Amended Agreement ) under which we increased the number of Transaction Shares we will issue at the closing of the acquisition from 32,258,065 to 37,258,065 while at the same time increasing the level of American Apparel's net debt above which there would be a downward adjustment in the number of shares issued at the closing of the acquisition from \$110 million to \$150 million. The Amended Agreement also increased the size of the 2007 performance equity plan from 2,710,000 shares to 7,710,000 shares and provides that stock awards for an aggregate of 2,710,000 shares to 7,710,000 shares and provides that stock awards for an aggregate of 2,710,000 shares would be allocated and issued thereunder after consummation of the closing and upon filing of an effective registration statement.

**ITEM 4. CONTROLS AND PROCEDURES.**

The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in our reports filed pursuant to the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules, regulations and related forms, and that such information is accumulated and communicated to our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

As required by Rules 13a-15 and 15d-15 under the Exchange Act, our principal executive officer and principal financial and accounting officer carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of September 30, 2007. Based upon their evaluation, they concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) were effective.

During the most recently completed fiscal quarter, there has been no change in our internal control over financial reporting in connection with the evaluation required by Rule 13a-15(d) under the Exchange Act that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

**Table of Contents**

**PART II**

**OTHER INFORMATION**

**ITEM 1A. RISK FACTORS**

We operate in an environment that involves a number of significant risks and uncertainties. Risk factors related to our Company are disclosed in our annual report of Form 10-K for the year ended December 31, 2006 and should be considered by our investors.

**ITEM 2: UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

On December 21, 2005, we closed our initial public offering of 15,000,000 units with each unit consisting of one share of our common stock and one warrant, each to purchase one share of our common stock at an exercise price of \$6.00 per share. On January 5, 2006, we consummated the closing of an additional 1,160,745 units pursuant to the over-allotment option. The units from the initial public offering (including the over-allotment option) were sold at an offering price of \$8.00 per unit, generating total gross proceeds of \$129,285,959. Ladenburg Thalmann & Co. Inc. acted as lead manager for the initial public offering and Broadband Capital Management LLC acted as co-manager for the initial public offering. The securities sold in the offering were registered under the Securities Act of 1933 on a registration statement on Form S-1 (No. 333-128440). The Securities and Exchange Commission declared the registration statement effective on December 21, 2005.

We paid a total of \$6,205,726 in underwriting discounts and commissions and \$743,766 for other costs and expenses related to the offering and the over-allotment option.

After deducting the underwriting discounts and commissions and the offering expenses, the total net proceeds to us from the offering were \$122,336,467, of which \$121,030,234 was deposited into the trust account and the remaining proceeds of \$1,306,233 became available to be used to provide for business, legal and accounting due diligence on prospective business combinations and continuing general and administrative expenses.

For a description of the use of the proceeds generated in our initial public offering, see Part I, Item 2 of this Form 10-Q.

**ITEM 6: EXHIBITS**

(a) Exhibits:

31.1 Section 302 Certification by President

31.2 Section 302 Certification by Treasurer

32 Section 906 Certification by President and Treasurer

**Table of Contents**

**SIGNATURES**

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**ENDEAVOR ACQUISITION CORP.**

Dated: November 9, 2007

/s/ Jonathan J. Leducky  
Jonathan J. Leducky  
President (Principal Executive Officer), Secretary and Director

/s/ Eric J. Watson  
Eric J. Watson  
Chairman of the Board and Treasurer (Principal Financial and  
Accounting Officer)