

AMERICAN APPAREL, INC  
Form 10-K/A  
February 07, 2011

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

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FORM 10-K/A  
Amendment No. 4

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(Mark One)

Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
For the fiscal year ended December 31, 2009

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 001-32697

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American Apparel, Inc.  
(Exact name of registrant as specified in its charter)

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Delaware  
(State of Incorporation)  
747 Warehouse Street  
Los Angeles, California 90021-1106  
(Address of principal executive offices) (Zip code)  
Registrant's telephone number, including area code: (213) 488-0226

20-3200601  
(I.R.S. Employer Identification No.)

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

Common Stock, par value \$.0001 per share  
(Title of Each Class)

NYSE Amex  
(Name of Each Exchange on Which Registered)

Securities registered pursuant to Section 12(g) of the Act: None

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

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

Indicate by check mark whether 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  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

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

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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, a non-accelerated filer, or a smaller reporting company. See definitions of "accelerated filer", "large accelerated filer", and "smaller reporting company" in Rule 12b-2 of the Exchange Act:

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant as of June 30, 2009 was approximately \$258,562,875 based upon the closing price of the common stock on such date as reported by the NYSE Amex.

The number of shares of the registrant's common stock outstanding as of March 19, 2010 was 71,338,750.

**DOCUMENTS INCORPORATED BY REFERENCE**

Part III of this Annual Report incorporates information by reference from the registrant's definitive Proxy Statement for its Annual Meeting of Stockholders that was filed with the United States Securities and Exchange Commission (the "SEC") on October 15, 2010.

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### SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Amendment No.4 to our Annual Report on Form 10-K/A, including the documents incorporated by reference herein, contains forward-looking statements within the “safe harbor” provisions of the Private Securities Litigation Reform Act of 1995. All statements in this Annual Report on Form 10-K/A other than statements of historical fact are “forward-looking statements” for purposes of these provisions. Statements that include the use of terminology such as “may,” “will,” “expects,” “believes,” “plans,” “estimates,” “potential,” or “continue,” or the negative thereof or other and similar expressions are forward-looking statements. In addition, in some cases, you can identify forward-looking statements by words or phrases such as “trend,” “potential,” “opportunity,” “believe,” “comfortable,” “expect,” “anticipate,” “current,” “in,” “estimate,” “position,” “assume,” “outlook,” “continue,” “remain,” “maintain,” “sustain,” “seek,” “achieve,” and similar expressions. Any statements that refer to projections of our future financial performance, our anticipated growth and trends in our business, our goals, strategies, focuses and plans, and other characterizations of future events or circumstances, including statements expressing general expectations or beliefs, whether positive or negative, about future operating results or the development of our products, and any statement of assumptions underlying any of the foregoing are forward-looking statements. Forward-looking statements in this report may include, without limitation, statements about:

- future financial condition and operating results;
- our ability to remain in compliance with financial covenants under our financing arrangements;
- our plan to make continued investments in advertising and marketing;
- our growth, expansion and acquisition prospects and strategies, the success of such strategies, and the benefits we believe can be derived from such strategies;
- the outcome of litigation matters;
- our intellectual property rights and those of others, including actual or potential competitors;
- our personnel, consultants, and collaborators;
- operations outside the United States;
- economic and political conditions;
- overall industry and market performance;
- the impact of accounting pronouncements;
- management’s goals and plans for future operations; and
- other assumptions described in this Annual Report on Form 10-K/A underlying or relating to any forward-looking statements.

The forward-looking statements in this report speak only as of the date of this report and caution should be taken not to place undue reliance on any such forward-looking statements, which are qualified in their entirety by this cautionary statement. Forward-looking statements are subject to numerous assumptions, events, risks, uncertainties and other factors, including those that may be outside of our control and that change over time. As a result, actual results and/or the timing of events could differ materially from those expressed in or implied by the forward-looking statements and future results could differ materially from historical performance. Such assumptions, events, risks, uncertainties and other factors include, among others, those described in this Amendment No. 4 to our Annual Report on Form 10-K/A, those contained under the heading, "Risk Factors," contained in Item 1A of American Apparel, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2009 which was originally filed with the SEC on March 31, 2010, as well as in other reports and documents we file with the SEC and include, without limitation, the following:

- changes in the level of consumer spending or preferences or demand for our products;
- disruptions in the global financial markets;
- consequences of our significant indebtedness, including our ability to comply with our debt agreements and generate cash flow to service our debt;
- the highly competitive and evolving nature of our business in the U.S. and internationally;
- our ability to manage our growth and expansion both in the U.S. and internationally;
- retailer consolidation and intensity of competition, both domestic and foreign, from other apparel providers;
- technological changes in manufacturing, wholesaling, or retailing;

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- risks that our suppliers and distributors may not timely produce or deliver our products;
- loss or reduction in sales to our wholesale or retail customers or financial nonperformance by our wholesale customers;
- the adoption of new accounting pronouncements or changes in interpretations of accounting principles;
- changes in consumer spending patterns and overall levels of consumer spending;
- the availability of store locations at appropriate terms and our ability to identify and negotiate new store locations effectively and to open new stores and expand internationally;
- ability to attract customers to our stores;
- seasonality and fluctuations in comparable store sales and margins;
- our ability to successfully implement its strategic, operating and personnel initiatives;
- our ability to maintain the value and image of our brand and protect our intellectual property rights;
- changes in the cost of materials and labor;
- location of our facilities in the same geographic area;
- our relationships with our lenders and our ability to comply with the terms of our existing debt facilities;
- adverse changes in our credit ratings and any related impact on financing costs and structure;
- risks associated with our foreign operations and foreign supply sources, such as disruption of markets, changes in import and export laws, currency restrictions and currency exchange rate fluctuations;
- continued compliance with U.S. and foreign government regulations, legislation and regulatory environments, including environmental, immigration, labor and occupational health and safety laws and regulations;
- the risk that information technology systems changes may disrupt our supply chain or operations;
- our ability to upgrade our information technology infrastructure and other risks associated with the systems that operate our online retail operations;
- litigation and other inquiries and investigations, including the risk that we or our officers will not be successful in defending any proceedings, lawsuits, disputes, claims or audits;
- ability to effectively manage inventory and inventory reserves;
- changes in key personnel, our ability to hire and retain key personnel, and our relationship with our employees;
- material weaknesses in internal controls;
- costs as a result of operating as a public company; and
- general economic conditions, including increases in interest rates, geopolitical events, other regulatory changes and inflation or deflation.

All forward-looking statements included in this document are made as of the date hereof, based on information available to us as of the date hereof, and we assume no obligation to update any forward-looking statement.

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American Apparel, Inc.  
ANNUAL REPORT ON FORM 10-K/A  
FOR THE YEAR ENDED DECEMBER 31, 2009  
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## EXPLANATORY NOTE

The Annual Report on Form 10-K for the year ended December 31, 2009 (the "Original Filing") of American Apparel, Inc. and its subsidiaries (collectively, "the Company") was filed with the SEC on March 31, 2010 and amended by Amendments No. 1, 2 and 3 which were filed with the SEC ("Amendments No. 1, 2 and 3" and, together with the Original Filing, the "Prior Filings"). As described in the Company's Current Report on Form 8-K filed on December 21, 2010, the Audit Committee of the Company received notice from Deloitte & Touche LLP ("Deloitte") stating that Deloitte had concluded that Deloitte's report on the Company's previously issued consolidated financial statements as of and for the year ended December 31, 2009 (the "2009 financials"), including Deloitte's report on internal control over financial reporting at December 31, 2009, including in the Original Filing (such reports, collectively, the "Deloitte Reports"), should not be relied upon or associated with the 2009 financials. This Amendment No. 4 on Form 10-K/A (this "Amendment") is being filed for the purpose of removing the Deloitte Reports and labeling the 2009 financials as "unaudited." As a result, the consolidated financial statements for the year ended December 31, 2009 included in this Amendment No. 4 are unaudited.

The Company plans to file another amendment to the Annual Report for the year ended December 31, 2009, once a new report on internal control over financial reporting at December 31, 2009 and a new audit report on the 2009 financials are available from the Company's current auditors, for the purpose of filing those reports and, at such time, the notation that the 2009 financials are "unaudited" would be removed.

Except for the matters described above and related updates in Item 9, the Original Filing has not been amended, updated or otherwise modified. The Original Filing, as amended by this Amendment, continues to speak as of the date of the Original Filing and does not reflect events occurring after the filing of the Original Filing or update or otherwise modify any related or other disclosures, including forward-looking statements. Accordingly, this Amendment should be read in conjunction with our other filings made with the SEC subsequent to the filing of the Original Filing.

The filing of this Amendment No. 4 is not an admission that the Original Filing or Amendment No. 1, 2 and 3 to the Original Filing, when filed, included any untrue statement of a material fact or omitted to state a material fact necessary to make the statements therein not misleading.

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## PART II

## Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

## Market Information

The principal market on which our common stock is traded is the NYSE Amex. Our common stock is traded under the symbol APP. Our units (the "Endeavor Units") and warrants (the "Endeavor Warrants"), which were issued in the initial public offering of Endeavor Acquisition Corp., traded on the American Stock Exchange (now the NYSE Amex) under the symbols APP-U and APP-WS, respectively, until March 7, 2008, when all outstanding Endeavor Warrants were redeemed.

Each Endeavor Unit was comprised of one share of common stock and one Endeavor Warrant. Prior to the Acquisition, the Endeavor Units, common stock and Endeavor Warrants were traded on the American Stock Exchange (now the NYSE Amex) under the symbols EDA-U, EDA and EDA-WT, respectively. The Endeavor Units commenced trading on the NYSE Amex on December 16, 2005, and the common stock and Endeavor Warrants commenced trading on March 6, 2006.

The following table sets forth the range of high and low sales prices for the Endeavor Units, our common stock and the Endeavor Warrants for the periods indicated.

	Common Stock		Units		Warrants	
	High	Low	High	Low	High	Low
2008:						
Fourth Quarter	\$8.45	\$1.55	\$—	\$—	\$—	\$—
Third Quarter	10.05	5.48	—	—	—	—
Second Quarter	9.97	5.90	—	—	—	—
First Quarter	14.45	8.50	17.78	17.78	6.00	5.90
2009:						
Fourth Quarter	\$3.55	\$2.42				
Third Quarter	4.20	2.80				
Second Quarter	6.97	2.66				
First Quarter	3.70	1.20				

## Holders

On March 30, 2010 there were 1,385 recordholders and approximately 10,006 beneficial holders of our common stock.

## Dividends

As a public company, we have not paid any cash dividends. Certain cash dividends and distributions were paid by Old American Apparel to its principal stockholders prior to becoming a public company. We intend to continue to retain earnings for use in the operation and expansion of our business and, therefore, do not anticipate paying any cash dividends in the foreseeable future. In addition, restrictions imposed by our debt instruments significantly restrict us from making dividends or distributions to shareholders.

## Units, Common Shares and Warrants

The Endeavor Warrants and common stock comprising the Endeavor Units became separately tradable on March 7, 2006. Each Endeavor Warrant entitled the holder to purchase from American Apparel one share of American Apparel common stock at an exercise price of \$6.00. On February 6, 2008 we called for redemption, and on March 7, 2008 redeemed all of our issued and outstanding Endeavor Warrants. Prior to the redemption date of March 7, 2008, 16,153 of the 16,165 Endeavor Warrants outstanding at December 31, 2007 were exercised. The remaining 12 Endeavor Warrants were redeemed by us at a price of \$.01 per Warrant. As a result, the Endeavor Units and the Endeavor Warrants ceased to be outstanding and ceased to be registered, pursuant to Section 12(b) on March 7, 2008.

On December 19, 2008, in connection with an extension of the SOF Credit Agreement, we issued the SOF Warrants. On March 13, 2009, in connection with the Lion financing, we issued the Lion Warrants. The warrants were issued to SOF and

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Lion in private placements exempt from registration pursuant to Section 4(2) of the Securities Act of 1933, as amended.

The SOF Credit Agreement provided that if we failed to raise \$16 million of financing by March 13, 2009, we would be required to issue to SOF an additional warrant to purchase two million shares of Company common stock at an exercise price of \$2.00 per share and on other terms substantially identical to the terms of the SOF warrant issued to SOF in December 2008 in connection with the extension of the SOF Credit Agreement. As a result of the repayment in full of the SOF Credit Agreement with the proceeds of the loans under the Lion Credit Agreement, we were not required to issue to SOF the additional warrant.

For further discussion, including of proceeds received from exercise of warrants see “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources”.

#### Stock Price Performance Graph

The graph below compares the cumulative total return of our common stock from March 7, 2006 through December 31, 2009 with the cumulative total return of companies comprising the Dow Jones Industrial Average, the S&P Retail Index, and the S&P500. The graph plots the growth in value of an initial investment of \$100 in each of our common stock, the Dow Jones Industrial Average, the S&P Retail Index, and the S&P500 over the indicated time periods, assuming reinvestment of all dividends, if any, paid on the securities. We have not paid any cash dividends and, therefore, the cumulative total return calculation for us is based solely upon stock price appreciation and not upon reinvestment of cash dividends. The stock price performance shown on the graph is not necessarily indicative of future price performance.

Dates	American Apparel	S&P Retail	S&P 500	Dow
March 7, 2006	100.00	100.00	100.00	100.00
December 29, 2006	126.76	107.30	110.96	113.73
December 31, 2007	206.90	88.11	114.87	121.04
December 31, 2008	27.45	60.02	70.66	80.09
December 31, 2009	42.76	88.37	87.24	95.16

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Item 6. Selected Financial Data

The selected historical financial data presented below under the heading “Selected Statement of Operations Data” and “Per Share Data” for the year ended December 31, 2009 and the selected historical financial data presented below under the heading “Balance Sheet Data” as of December 31, 2009 have been derived from the unaudited consolidated financial statements included elsewhere in this Annual Report on Form 10-K/A. The selected historical financial data presented below under the heading “Selected Statement of Operations Data” and “Per Share Data” for the years ended December 31, 2008 and 2007 and the selected historical financial data presented below under the heading “Balance Sheet Data” as of December 31, 2008 have been derived from, and are qualified by reference to, the audited consolidated financial statements included elsewhere in this Annual Report on Form 10-K/A. The selected historical financial data presented below under the heading “Selected Statement of Operations Data” and “Per Share Data” for the years ended December 31, 2006 and 2005 and the selected historical financial data presented below under the heading “Balance Sheet Data” as of December 31, 2007, 2006 and 2005 have been derived from, and are qualified by reference to, our audited consolidated financial statements which are not included in this Annual Report on Form 10-K/A.

On December 21, 2005, Endeavor Acquisition Corp. consummated its initial public offering, and on December 18, 2006, entered into an Agreement and Plan of Reorganization, amended November 7, 2007, with American Apparel, Inc., a California corporation (“Old American Apparel”), and its affiliated companies. Endeavor Acquisition Corp. consummated the acquisition of Old American Apparel and its affiliated companies on December 12, 2007 (the “Acquisition”) and changed its name to American Apparel, Inc. The Acquisition was accounted for as a reverse merger (“Merger”) and recapitalization for financial reporting purposes. Accordingly, for accounting and financial purposes, Endeavor Acquisition Corp. was treated as the acquired company, and Old American Apparel was treated as the acquiring company. Accordingly, the historical financial information for periods and dates prior to December 12, 2007, is that of Old American Apparel, and its affiliated companies.

The data set forth below should be read in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our Consolidated Financial Statements and notes included elsewhere in this Annual Report on Form 10-K/A.

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	Year Ended December 31,				
	2009 (unaudited)	2008	2007	2006	2005
(In Thousands Except Per Share Data)					
Selected Statement of Operations Data:					
Net sales	\$558,775	\$545,050	\$387,044	\$284,966	\$201,450
Gross profit (5)	\$319,912	\$294,421	\$213,368	\$145,636	\$101,688
Income from Operations	\$24,415	\$36,064	\$31,122	\$10,572	\$10,782
Net Income (Loss)	\$1,112	\$14,112	\$15,478	\$(1,606)	\$3,487
Pro forma Net Income—conversion to C Corporation for tax purposes (unaudited) (3)	n/a	n/a	\$9,457	\$257	\$3,121
Cash Distributions/Dividends Paid (1)	\$—	\$—	\$22,147	\$696	\$1,793
Per Share Data (2)					
Net Earnings (Loss) per share—basic	\$0.02	\$0.20	\$0.32	\$(0.03)	\$0.07
Net Earnings (Loss) per share—diluted	\$0.01	\$0.20	\$0.31	\$(0.03)	\$0.07
Pro forma Net Earnings per share—conversion to C Corporation for tax purposes (unaudited)—basic (3)	n/a	n/a	\$0.19	\$0.01	\$0.06
Pro forma Net Earnings per share—conversion to C Corporation for tax (unaudited) purposes—diluted (3)	n/a	n/a	\$0.19	\$0.01	\$0.06
Weighted—average number of shares—basic	71,026	69,490	48,890	48,390	48,390
Weighted—average number of shares—diluted	76,864	70,317	49,414	48,390	48,390
Dividends Paid (1)	\$—	\$—	\$0.45	\$0.01	\$0.04
Balance Sheet Data (4)					
Total Assets (5)	\$327,579	\$333,609	\$233,350	\$163,056	\$124,226
Working Capital (5)	\$121,423	\$83,069	\$2,120	\$38,559	\$40,880
Total Long Term Debt Less Current Maturities	\$71,372	\$72,328	\$10,744	\$75,546	\$65,365
Stockholders' Equity	\$157,341	\$136,412	\$61,821	\$12,973	\$14,918

- (1) Dividends paid represent cash dividends paid by Old American Apparel to its stockholders prior to becoming a public company. We do not anticipate paying any cash dividends in the foreseeable future.
- (2) The effect of the Merger has been given retroactive application in the earnings per share (“EPS”) calculation. The common stock issued and outstanding with respect to the pre-Merger stockholders of American Apparel, Inc. has been included in the EPS calculation since the Closing date of the Merger. All of American Apparel, Inc.’s outstanding warrants (the “Endeavor Warrants”) which were issued in the initial public offering of Endeavor Acquisition Corp. and underwriter’s purchase option are reflected in the diluted EPS calculation, using the treasury stock method, commencing with the Closing date of the Merger.
- (3) As a result of the Merger, Old American Apparel was required to convert from a Subchapter S Corporation to a C Corporation as of the Closing on December 12, 2007. As a Subchapter S Corporation, U.S. federal and certain state income taxes were the responsibility of the entity’s stockholders. Accordingly, the income taxes were not reflected in the entity’s financial statements. The result of this conversion was to recognize deferred tax assets and liabilities from the expected tax consequences of temporary differences between the book and tax basis of the entity’s assets and liabilities at the date of conversion into a taxable entity. This resulted in a deferred tax benefit of \$6,205 being recognized and included in the 2007 tax (benefit).
- The unaudited pro forma computation of income tax included in the Consolidated Statements of Operations presented elsewhere in this Form 10-K/A, represents the tax effects that would have been reported had Old American Apparel been subject to U.S. federal and state income taxes as a corporation for the year ended December 31, 2007. Pro forma taxes are based upon the statutory income tax rates and adjustments to income for estimated permanent differences occurring during each period. Actual rates and expenses could have differed had Old American Apparel actually been subject to U.S. federal and state income taxes for all periods

presented. Therefore, the unaudited pro forma amounts for net earnings per share are for informational purposes only and are intended to be indicative of the results of operations had Old American Apparel been subject to U.S. federal and state income taxes as a corporation for the year ended December 31, 2007.

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- (4) Dov Charney, a 50% owner of Old American Apparel's common stock and 100% owner of American Apparel Canada Wholesale, Inc. and American Apparel Canada Retail, Inc.'s (collectively, the "CI Companies") common stock and current Chief Executive Office of the Company received from American Apparel, Inc. 37,258 shares of its common stock in exchange for his ownership interest in Old American Apparel and CI Companies. The other 50% owner of Old American Apparel's Common Stock, Sang Ho Lim, received \$67,903 for his ownership interest, the equivalent of 11,132 shares of common stock. Immediately prior to the closing of the Merger, American Apparel, Inc. had 19,933 shares of Common stock outstanding with a net tangible book value of \$121,589, net of \$5,494 of transaction costs. The net tangible book value consisted of cash of \$123,000, a tax liability of \$1,406 and accrued expenses of \$5. The net cash proceeds were used as follows: \$67,903 was paid to Sang Ho Lim, \$15,764 was paid to Dov Charney and Sang Ho Lim as a Company distribution to settle their estimated personal income tax liabilities as a result of Old American Apparel's subchapter S Corporation status, \$13,323 was used to repay related party and third party debt, and \$26,010 was available for working capital.
- (5) Certain amounts have been reclassified in fiscal 2008 and 2007 as disclosed in Note 3, Classification and Adjustments, in the Notes to the consolidated financial statements included elsewhere in this Form 10-K/A.
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Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

You should read the following discussion together with Part II, Item 6 "Selected Financial Data" and our consolidated financial statements and the related notes thereto included in Item 8 "Financial Statements and Supplementary Data." In addition to historical consolidated financial information, this discussion contains forward-looking statements that reflect our plans, estimates and beliefs. Actual results could differ from these expectations as a result of factors including those described under Item 1A, "Risk Factors," "Special Note Regarding Forward-Looking Statements" and elsewhere in this Annual Report on Form 10-K/A.

Overview

We are a vertically-integrated manufacturer, distributor, and retailer of branded fashion basic apparel. We design, manufacture and sell clothing for women, men, children and pets through retail, wholesale and online distribution channels. As of December 31, 2009, we operated 281 retail stores in 20 countries. Our wholesale business is a leading supplier of T-shirts and other casual wear to screen printers and distributors. We also operate an online retail e-commerce website at [www.americanapparel.com](http://www.americanapparel.com) where we sell our clothing directly to consumers.

We conduct our primary manufacturing operations out of an 800,000 square foot facility in the warehouse district of downtown Los Angeles, California. The facility houses our executive offices, as well as cutting, sewing, warehousing, and distribution operations. We conduct knitting operations in Los Angeles and Garden Grove, California, which produce a majority of the fabric we use in our products. We also operate dye houses that currently provide dyeing and finishing services for nearly all of the raw fabric used in production. We operate a dyeing and finishing facility in Hawthorne, California, which provides fabric dyeing and finishing services. We operate a garment dyeing and finishing facility, acquired in December 2007 and located in South Gate, California, which is used in cutting, sewing, dyeing and finishing garments. We operate a fabric dyeing and finishing facility, acquired in May 2008 and located in Garden Grove, California, which has been expanded to including knitting and cutting and sewing operations. Because we manufacture domestically and are vertically integrated, we believe this enables us to more quickly respond to customer demand and to changing fashion trends and to closely monitor product quality. Our products are noted for their quality and fit, and together with our distinctive branding these attributes have differentiated our products in the marketplace.

We report the following four operating segments: U.S. Wholesale, U.S. Retail, Canada, and International. We believe this method of segment reporting reflects both the way our business segments are managed and the way the performance of each segment is evaluated. The U.S. Wholesale segment consists of our wholesale operations and our online consumer operations in the U.S. The U.S. Retail segment consists of our retail store operations in the United States, which were comprised of 160 retail stores as of December 31, 2009. The Canada segment consists of our retail, wholesale and online consumer operations in Canada. As of December 31, 2009, the retail operations in the Canada segment were comprised of 40 retail stores. The International segment consists of our retail, wholesale and online consumer operations outside of the United States and Canada. As of December 31, 2009, the retail operations in the International segment were comprised of 81 retail stores in the following 18 countries: the United Kingdom, Ireland, Austria, Belgium, France, Germany, Italy, the Netherlands, Spain, Sweden, Switzerland, Israel, Australia, Brazil, Mexico, Japan, South Korea, and China.

The results of the respective business segments exclude unallocated corporate expenses, which consist of our shared overhead costs. These costs are presented separately and generally include, among other things, corporate costs such as human resources, legal, finance, information technology, accounting, and executive compensation.

During the period from January 1, 2007 through December 31, 2009, we increased the number of retail stores in the U.S. Retail segment from 93 to 160, increased the number of retail stores in the Canada segment from 26 to 40 and increased the number of retail stores in the International segment from 28 to 81. The following table details, by segment, the growth in retail store count during the years ended December 31, 2009, 2008 and 2007



Stores Opened by Year

	United States	Canada	International	Total
Stores open as of December 31, 2006	93	26	28	