

TARRANT APPAREL GROUP  
Form SC 13E3  
March 23, 2009

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

Washington, D.C. 20549

**SCHEDULE 13E-3**

**Rule 13e-3 Transaction Statement**

(Pursuant to Section 13(e) of the Securities Exchange Act of 1934)

**Tarrant Apparel Group**

(Name of the Issuer)

**Tarrant Apparel Group**

(Name of Person(s) Filing Statement)

**Common Stock, no par value**

(Title of Class of Securities)

**876289 10 9**

(CUSIP Number of Class of Securities)

**Patrick Chow**

**Chief Financial Officer, Assistant**

**Secretary and Vice President**

**Tarrant Apparel Group**

**801 South Figueroa Street, Suite 2500**

**Los Angeles, CA 90017**

(Name, Address and Telephone Number of Person Authorized to Receive)

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Notices and Communications on Behalf of Person(s) Filing Statement

Copies to:

**John McIlvery, Esq.**

**Stubbs Alderton & Markiles, LLP**

**15260 Ventura Blvd., 20<sup>th</sup> Floor**

**Sherman Oaks, California 91403**

**(818) 444-4500**

This statement is filed in connection with (check the appropriate box):

- (a)  The filing of solicitation materials or an information statement subject to Regulation 14A, Regulation 14C or Rule 13e-3(c) under the Securities Exchange Act of 1934.
- (b)  The filing of a registration statement under the Securities Act of 1933.
- (c)  A tender offer.
- (d)  None of the above.

Check the following box if the soliciting materials or information statement referred to in checking box (a) are preliminary copies:

Check the following box if the filing is a final amendment reporting the results of the transaction:

**CALCULATION OF FILING FEE**

Transaction valuation<sup>(1)</sup>                      \$16,315,588      Amount of Filing Fee<sup>(2)</sup>                      \$ 910

(1) For purposes of calculating the amount of the filing fee only.

(2) The filing fee was determined based upon the sum of (A) 17,864,680 shares of Common Stock multiplied by \$0.85 per share plus (B) \$1,130,610 expected to be paid to holders of warrants in accordance with the terms of the warrant agreements. In accordance with Section 14(g) of the Securities Exchange Act of 1934, as amended, the filing fee was determined by multiplying .00005580 by the sum of the preceding sentence.

Check the box if any part of the fee is offset as provided by Rule 0-11(a)(2) and identify the filing with which the offsetting fee was previously paid. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

Amount previously paid:                      \$910  
Form or Registration No.:                      Schedule 14A Preliminary Proxy Statement  
Filing Party:                                      Tarrant Apparel Group  
Date Filed:                                         March 23, 2009

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**INTRODUCTION**

This Rule 13e-3 Transaction Statement on Schedule 13E-3 (this Schedule 13E-3 ) is being filed by: (i) Tarrant Apparel Group, Inc., a California corporation (the Company ), the issuer of the common stock, no par value per share (the Common Stock ), that is subject to the Rule 13e-3 transaction; (ii) Sunrise Acquisition Company, LLC, a California limited liability company ( Parent ); (iii) Sunrise Merger Company, a California corporation and a wholly owned subsidiary of Parent ( Merger Sub ); (iv) Gerard Guez, Interim Chief Executive Officer and Chairman of the board of directors of the Company ( Guez ); and (v) Todd Kay, Vice Chairman of the board of directors of the Company ( Kay and together with Guez, the Company, Parent and Merger Sub, the Filing Parties and each a Filing Party ). This Schedule 13E-3 relates to the Agreement and Plan of Merger, dated as of February 26, 2009, by and among the Company, Parent and Merger Sub pursuant to which (A) Merger Sub will merge with and into the Company and the Company will become a direct wholly-owned subsidiary of Parent (the Merger ) and (B) each outstanding share of the Company s common stock (other than shares held in our treasury, shares owned by our subsidiaries, Parent or Merger Sub and shares held by our shareholders who may be entitled to dissenters rights under California law), will be converted into the right to receive \$0.85 in cash without interest and less any applicable withholding taxes.

Concurrently with the filing of this Schedule 13E-3, the Company is filing with the Securities and Exchange Commission a preliminary proxy statement (the Proxy Statement ) under Regulation 14A of the Securities Exchange Act of 1934, as amended (the Exchange Act ), relating to a special meeting of the shareholders of the Company at which the shareholders of the Company will consider and vote upon a proposal to approve the Merger Agreement. The shareholder vote required for the approval of the Merger Agreement is as follows: (i) under California law, by the holders, as of the record date of the special meeting, of a majority of the outstanding shares of the Company s common stock and (ii) under our amended and restated articles of incorporation, by the holders, as of the record date of the special meeting, of at least 66 2/3% of the outstanding shares of the Company s common stock.

The cross-references below are being supplied pursuant to General Instruction G to Schedule 13E-3 and show the location in the Proxy Statement of the information required to be included in response to the items of Schedule 13E-3. The information contained in the Proxy Statement, including all annexes thereto, is incorporated in its entirety herein by this reference, and the responses to each item in this Schedule 13E-3 are qualified in their entirety by the information contained in the Proxy Statement. As of the date hereof, the Proxy Statement is in preliminary form and is subject to completion or amendment. Capitalized terms used but not defined in this Schedule 13E-3 shall have the meanings given to them in the Proxy Statement.

**Item 1. Summary Term Sheet.**

**Regulation M-A Item 1001**

The information set forth in the Proxy Statement under the following captions is incorporated herein by reference:

SUMMARY TERM SHEET

QUESTIONS AND ANSWERS ABOUT THE SPECIAL MEETING AND THE MERGER

**Item 2. Subject Company Information.**

**Regulation M-A Item 1002**

(a) The information set forth in the Proxy Statement under the caption IDENTITY AND BACKGROUND OF FILING PERSONS is incorporated herein by reference.

(b)-(d) The information set forth in the Proxy Statement under the caption MARKET PRICE OF OUR COMMON STOCK AND DIVIDENDS is incorporated herein by reference.

(e) Not applicable.

(f) The information set forth in the Proxy Statement under the caption INFORMATION ABOUT THE COMPANY Prior Purchases and Sales of our Common Stock is incorporated herein by reference.

**Item 3. Identity and Background of Filing Person.**

**Regulation M-A Item 1003**

(a)-(c) The information set forth in the Proxy Statement under the following captions is incorporated herein by reference:

IDENTITY AND BACKGROUND OF FILING PERSONS

**Item 4. Terms of the Transaction.**

**Regulation M-A Item 1004**

(a)(1) Not applicable.

(a)(2) The information set forth in the Proxy Statement under the following captions is incorporated herein by reference:

SUMMARY TERM SHEET

QUESTIONS AND ANSWERS ABOUT THE SPECIAL MEETING AND THE MERGER

THE SPECIAL MEETING Required Vote

SPECIAL FACTORS Background of the Merger

SPECIAL FACTORS Fairness of the Merger; Recommendations of the Special Committee and Our Board of Directors

SPECIAL FACTORS Purposes and Reasons of Parent, Merger Sub and Messrs. Guez and Kay

SPECIAL FACTORS Certain Effects of the Merger

SPECIAL FACTORS Equity Rollover Agreement

SPECIAL FACTORS Material United States Federal Income Tax Consequences of the Merger

THE MERGER AGREEMENT Conditions to the Merger

(b) The information set forth in the Proxy Statement under the following captions is incorporated herein by reference:

SPECIAL FACTORS Interests of Our Directors and Executive Officers in the Merger

(c) The information set forth in the Proxy Statement under the following captions is incorporated herein by reference:

SUMMARY TERM SHEET

QUESTIONS AND ANSWERS ABOUT THE SPECIAL MEETING AND THE MERGER

SPECIAL FACTORS Certain Effects of the Merger

SPECIAL FACTORS Equity Rollover Agreement

SPECIAL FACTORS Interests of Our Directors and Executive Officers in the Merger

(d) The information set forth in the Proxy Statement under the following captions is incorporated herein by reference:

SPECIAL FACTORS Dissenters Rights

DISSENTERS RIGHTS

ANNEX C Chapter 13 of the California Corporations Code

(e) The information set forth in the Proxy Statement under the caption PROVISIONS FOR UNAFFILIATED SECURITY HOLDERS is incorporated herein by reference.

(f) Not applicable.

**Item 5. Past Contacts, Transactions, Negotiations and Agreements.**

**Regulation M-A Item 1005**

(a)-(d) The information set forth in the Proxy Statement under the caption PAST CONTACTS, TRANSACTIONS, NEGOTIATIONS OR AGREEMENTS is incorporated herein by reference.

(e) The information set forth in the Proxy Statement under the following captions is incorporated herein by reference:

SPECIAL FACTORS Equity Rollover Agreement

Pursuant to that certain Co-Sale Letter Agreement, made and entered into as of June 16, 2006, Guez and Kay have agreed with Orpheus Holdings, LLC, a Delaware limited liability company ( Orpheus ), Midland National Life Insurance Company, an Iowa corporation ( MNLIC ) and North American Company for Life and Health Insurance, an Illinois corporation ( NACOLAH ), that such parties shall have the right to participate in certain proposed sales of Common Stock not involving a public offering by either Guez or Kay. Orpheus, MNLIC and NACOLAH are collectively entitled to participate in an amount up to 33.33% of the total sale. The description of the Co-Sale Letter Agreement in this Schedule 13E-3 is subject to, and qualified in its entirety by, the full text of the Co-Sale Letter Agreement.

Guez has pledged an aggregate of 3,691,565 shares of the Company s common stock to financial institutions and individuals to secure the repayment of loans to Guez or companies controlled by Guez. If Guez defaults in his obligations under these loan agreements, the pledgee may acquire voting and dispositive control over the shares pledged by Guez.

**Item 6. Purposes of the Transaction and Plans or Proposals.**

**Regulation M-A Item 1006**

(b) The information set forth in the Proxy Statement under the following captions is incorporated herein by reference:

SUMMARY TERM SHEET

QUESTIONS AND ANSWERS ABOUT THE SPECIAL MEETING AND THE MERGER

SPECIAL FACTORS Certain Effects of the Merger

SPECIAL FACTORS Interests of Our Directors and Executive Officers in the Merger

THE MERGER AGREEMENT Treatment of Common Stock, Stock Options, Warrants and Dissenting Shares

THE MERGER AGREEMENT Exchange and Payment Procedures

ANNEX A Agreement and Plan of Merger, dated as of February 26, 2009, by and among Parent, Merger Sub and the Company

(c)(1)-(8) The information set forth in the Proxy Statement under the following captions is incorporated herein by reference:

SUMMARY TERM SHEET

QUESTIONS AND ANSWERS ABOUT THE SPECIAL MEETING AND THE MERGER

SPECIAL FACTORS Background of the Merger

SPECIAL FACTORS Certain Effects of the Merger

SPECIAL FACTORS Plans for the Company After the Merger

SPECIAL FACTORS Financing





SPECIAL FACTORS Equity Rollover Agreement

SPECIAL FACTORS Interests of Our Directors and Executive Officers in the Merger

THE MERGER AGREEMENT

ANNEX A Agreement and Plan of Merger, dated as of February 26, 2009, by and among Parent, Merger Sub and the Company

**Item 7. Purposes, Alternatives, Reasons and Effects.**

**Regulation M-A Item 1013**

(a)-(c) The information set forth in the Proxy Statement under the following captions is incorporated herein by reference:

QUESTIONS AND ANSWERS ABOUT THE SPECIAL MEETING AND THE MERGER

SPECIAL FACTORS Background of the Merger

SPECIAL FACTORS Purposes and Reasons of Parent, Merger Sub and Messrs. Guez and Kay

SPECIAL FACTORS Fairness of the Merger; Recommendations of the Special Committee and Our Board of Directors

SPECIAL FACTORS Position of Parent, Merger Sub and Messrs. Guez and Kay Regarding the Fairness of the Merger

SPECIAL FACTORS Conduct of the Company's Business if the Merger is Not Completed

SPECIAL FACTORS Plans for the Company After the Merger

(d) The information set forth in the Proxy Statement under the following captions is incorporated herein by reference:

SUMMARY TERM SHEET

QUESTIONS AND ANSWERS ABOUT THE SPECIAL MEETING AND THE MERGER

SPECIAL FACTORS Background of the Merger

SPECIAL FACTORS Fairness of the Merger; Recommendations of the Special Committee and Our Board of Directors

SPECIAL FACTORS Certain Effects of the Merger

SPECIAL FACTORS Plans for the Company After the Merger

SPECIAL FACTORS Interests of Our Directors and Executive Officers in the Merger

SPECIAL FACTORS Material United States Federal Income Tax Consequences of the Merger

SPECIAL FACTORS Fees and Expenses

THE MERGER AGREEMENT

DISSENTERS' RIGHTS

ANNEX A Agreement and Plan of Merger, dated as of February 26, 2009, by and among Parent, Merger Sub and the Company



**Item 8. Fairness of the Transaction.**

**Regulation M-A Item 1014**

(a)-(b) The information set forth in the Proxy Statement under the following captions is incorporated herein by reference:

SUMMARY TERM SHEET

QUESTIONS AND ANSWERS ABOUT THE SPECIAL MEETING AND THE MERGER

SPECIAL FACTORS Fairness of the Merger; Recommendations of the Special Committee and Our Board of Directors

SPECIAL FACTORS Purposes and Reasons of Parent, Merger Sub and Messrs. Guez and Kay

SPECIAL FACTORS Position of Parent, Merger Sub and Messrs. Guez and Kay Regarding the Fairness of the Merger

(c) The information set forth in the Proxy Statement under the following captions is incorporated herein by reference:

SUMMARY TERM SHEET

QUESTIONS AND ANSWERS ABOUT THE SPECIAL MEETING AND THE MERGER

THE SPECIAL MEETING Required Vote

THE MERGER AGREEMENT Conditions to the Merger

(d) The information set forth in the Proxy Statement under the following captions is incorporated herein by reference:

SUMMARY TERM SHEET

SPECIAL FACTORS Background of the Merger

SPECIAL FACTORS Fairness of the Merger; Recommendations of the Special Committee and Our Board of Directors

(e) The information set forth in the Proxy Statement under the following captions is incorporated herein by reference:

SUMMARY TERM SHEET

SPECIAL FACTORS Background of the Merger

SPECIAL FACTORS Fairness of the Merger; Recommendations of the Special Committee and Our Board of Directors

(f) The information set forth in the Proxy Statement under the following captions is incorporated herein by reference:

SUMMARY TERM SHEET

SPECIAL FACTORS Background of the Merger

SPECIAL FACTORS Position of Parent, Merger Sub and Messrs. Guez and Kay Regarding the Fairness of the Merger

**Item 9. Reports, Opinions, Appraisals and Certain Negotiations.**

**Regulation M-A Item 1015**

(a)-(c) The information set forth in the Proxy Statement under the following captions is incorporated herein by reference:

SPECIAL FACTORS Background of the Merger

SPECIAL FACTORS Opinion of Houlihan Lokey Howard & Zukin Capital, Inc.

ANNEX B Opinion of Houlihan Lokey Howard & Zukin Capital, Inc.

**Item 10. Source and Amounts of Funds or Other Consideration.**

**Regulation M-A Item 1007**

(a)-(b) The information set forth in the Proxy Statement under the following captions is incorporated herein by reference:

SUMMARY TERM SHEET

SPECIAL FACTORS Financing

SPECIAL FACTORS Equity Rollover Agreement

THE MERGER AGREEMENT Third Party Consents

THE MERGER AGREEMENT Equity Rollover Agreement

THE MERGER AGREEMENT Limited Joint and Several Guarantee

(c) The information set forth in the Proxy Statement under the following captions is incorporated herein by reference:

SPECIAL FACTORS Conduct of the Company's Business if the Merger is Not Completed

SPECIAL FACTORS Fees and Expenses

THE MERGER AGREEMENT Termination

THE MERGER AGREEMENT Termination Fees and Expenses

(d) The information set forth in the Proxy Statement under the following captions is incorporated herein by reference:

SUMMARY TERM SHEET

SPECIAL FACTORS Financing

**Item 11. Interest in Securities of the Subject Company.**

**Regulation M-A Item 1008**

(a) The information set forth in the Proxy Statement under the following captions is incorporated herein by reference:

SPECIAL FACTORS Interests of Our Directors and Executive Officers in the Merger

INFORMATION ABOUT THE COMPANY Security Ownership of Certain Beneficial Owners and Management

(b) Not applicable.

**Item 12. The Solicitation or Recommendation.**

**Regulation M-A Item 1012**

(d) The information set forth in the Proxy Statement under the following captions is incorporated herein by reference:

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SUMMARY TERM SHEET

QUESTIONS AND ANSWERS ABOUT THE SPECIAL MEETING AND THE MERGER

THE SPECIAL MEETING Required Votes

SPECIAL FACTORS Certain Effects of the Merger

SPECIAL FACTORS Fairness of the Merger; Recommendations of the Special Committee and Our Board of Directors

SPECIAL FACTORS Position of Parent, Merger Sub and Messrs. Guez and Kay Regarding the Fairness of the Merger

SPECIAL FACTORS Interests of Our Directors and Executive Officers in the Merger

INFORMATION ABOUT THE COMPANY Security Ownership of Certain Beneficial Owners and Management

(e) The information set forth in the Proxy Statement under the following captions is incorporated herein by reference:

SUMMARY TERM SHEET

QUESTIONS AND ANSWERS ABOUT THE SPECIAL MEETING AND THE MERGER

SPECIAL FACTORS Background of the Merger

SPECIAL FACTORS Fairness of the Merger; Recommendations of the Special Committee and Our Board of Directors

SPECIAL FACTORS Position of Parent, Merger Sub and Messrs. Guez and Kay Regarding the Fairness of the Merger

**Item 13. Financial Information.**

**Regulation M-A Item 1010**

(a) The information set forth in the Proxy Statement under the following captions is incorporated herein by reference:

SPECIAL FACTORS Financial Projections

INFORMATION ABOUT THE COMPANY Selected Historical Consolidated Financial Data

INFORMATION ABOUT THE COMPANY Net Book Value Per Share of the Company Common Stock

(b) Not applicable.

**Item 14. Persons/Assets, Retained, Employed, Compensated or Used.**

**Regulation M-A Item 1009**

(a) The information set forth in the Proxy Statement under the following captions is incorporated herein by reference:

SUMMARY TERM SHEET

QUESTIONS AND ANSWERS ABOUT THE SPECIAL MEETING AND THE MERGER

THE SPECIAL MEETING Solicitation of Proxies

SPECIAL FACTORS Fees and Expenses

(b) The information set forth in the Proxy Statement under the following captions is incorporated herein by reference:

SUMMARY TERM SHEET

QUESTIONS AND ANSWERS ABOUT THE SPECIAL MEETING AND THE MERGER

SPECIAL FACTORS Plans for the Company After the Merger





**Item 15. Additional Information.**

**Regulation M-A Item 1011**

(b) The information contained in the Proxy Statement, including all annexes thereto, is incorporated herein by reference.

**Item 16. Exhibits.**

<b>Exhibit Number</b>	<b>Description</b>
(a)(1)(i)	Preliminary copy of letter to shareholders from Mitchal Simbal, Co-Chairman of the Special Committee, Joseph Mizrachi, Co Chairman of the Special Committee and Gerard Guez, Chairman of the board of directors and Interim Chief Executive Officer (incorporated by reference to the Company's Preliminary Proxy Statement on Schedule 14A as filed with the Securities and Exchange Commission (the SEC) on March 23, 2009).
(a)(1)(ii)	Preliminary Proxy Statement on Schedule 14A as filed with the SEC on March 23, 2009 (the Proxy Statement) (incorporated herein by reference).
(a)(1)(iii)	Form of Preliminary Proxy Card (incorporated herein by reference to the Proxy Statement).
(a)(1)(iv)	Press release issued by the Company on February 26, 2009 announcing the signing of the Merger Agreement (incorporated herein by reference to the Current Report on Form 8-K filed by the Company with the SEC on February 26, 2009).
(c)(1)	Opinion of Houlihan Lokey Howard & Zukin Capital, Inc. (Houlihan Lokey) to the Special Committee of the Board of Directors of the Company (incorporated herein by reference to Annex B to the Proxy Statement).
(c)(2)	Presentation by Houlihan Lokey to the Special Committee of the board of directors of the Company, dated July 17, 2008.*
(c)(3)	Presentation by Houlihan Lokey to the Special Committee of the board of directors of the Company, dated November 18, 2008.*
(c)(4)	Presentation by Houlihan Lokey to the Special Committee of the board of directors of the Company, dated February 26, 2009.*
(d)(1)	Equity Rollover Agreement, dated February 26, 2009, by and among Tarrant Apparel Group, Sunrise Acquisition Company, LLC, Sunrise Merger Company, Gerard Guez, Todd Kay and Todd Kay and Kimberly Smith Kay Trustees Kay Living Trust (incorporated herein by reference to the Current Report on Form 8-K filed by the Company with the SEC on February 26, 2009).
(d)(2)	Co-Sale Letter Agreement, made and entered into as of June 16, 2006, among Gerald Guez, Todd Kay, Orpheus Holdings, LLC, North American Company for Life and Health Insurance and Midland National Life Insurance Company (incorporated here in by reference to the Schedule 13D filed by Gerard Guez and Todd Kay with the SEC on April 28, 2008).
(f)	Chapter 13 of the California Corporations Code (incorporated herein by reference to Annex C to the Proxy Statement).
(g)	None.

\* Filed herewith.

**SIGNATURES**

After due inquiry and to the best of my knowledge and belief, each of the undersigned certifies that the information set forth in this statement is true and correct.

March 23, 2009

**TARRANT APPAREL GROUP,**

a California corporation

By: /s/ Patrick Chow  
Name: Patrick Chow  
Title: Chief Financial Officer, Assistant  
Secretary and Vice President

**SUNRISE ACQUISITION COMPANY, LLC,**

a California limited liability company

By: /s/ Gerard Guez  
Name: Gerard Guez  
Title: Co-Manager

By: /s/ Todd Kay  
Name: Todd Kay  
Title: Co-Manager

**SUNRISE MERGER COMPANY,**

a California corporation

By: /s/ Gerard Guez  
Name: Gerard Guez  
Title: President

/s/ Gerard Guez  
Gerard Guez

/s/ Todd Kay  
Todd Kay