

AMERICAN APPAREL, INC
Form DEF 14A
October 15, 2010

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE
SECURITIES EXCHANGE ACT OF 1934

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to § 240.14a-12

American Apparel, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

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(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

October 15, 2010

Dear Fellow Stockholder:

We are pleased to invite you to the 2010 Annual Meeting of Stockholders of American Apparel, Inc., to be held on December 10, 2010, at 2:00 p.m., Pacific Time, at the headquarters of American Apparel, Inc. at 747 Warehouse Street, Los Angeles, California 90021.

The matters to be considered and voted upon at the Annual Meeting are described in the Notice of Annual Meeting of Stockholders and the Proxy Statement that accompany this letter.

Under the rules of the Securities and Exchange Commission, we are providing access to our 2010 Annual Meeting materials, which include the accompanying Proxy Statement and our 2009 Annual Report on Form 10-K and Amendments No. 1, 2 and 3 thereto, over the Internet in lieu of mailing printed copies. We will begin mailing, on or about October 25, 2010, a Notice of Internet Availability of Proxy Materials to our stockholders. The Notice of Internet Availability of Proxy Materials (which is different than the Notice of Annual Meeting of Stockholders that accompanies this letter) will contain instructions on how to access and review the 2010 Annual Meeting materials and vote online. The Notice of Internet Availability of Proxy Materials also will contain instructions on how you can request a printed copy of the 2010 Annual Meeting materials, including a proxy card if you are a record holder or a voting instruction form if you are a beneficial owner.

It is very important that your shares be represented and voted at the Annual Meeting. Please read the attached Proxy Statement and vote your shares as soon as possible.

Thank you for your continued support of American Apparel.

Sincerely,

/s/ Dov Charney

Dov Charney

Chairman of the Board

AMERICAN APPAREL, INC.

747 Warehouse Street

Los Angeles, California 90021

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To be held on December 10, 2010

Time and Date: 2:00 p.m., Pacific Time, on Friday, December 10, 2010

Place: American Apparel, Inc. headquarters located at 747 Warehouse Street, Los Angeles, California 90021

Items of Business:

- 1.To elect Dov Charney, Mark Samson and Mark A. Thornton to the Board of Directors, each to serve for a term of three years and until his successor is duly elected and qualified, or such director's earlier death, resignation or removal.
- 2.To ratify the appointment of Marcum LLP as our independent auditors for the fiscal year ending December 31, 2010.
- 3.To consider and transact such other business as may properly come before the Annual Meeting.

Board of Directors Recommendation: The Board of Directors recommends that you vote **FOR** the election of each nominee for the Board of Directors and **FOR** Item 2.

Adjournments and Postponements: Any action on the items of business described above may be considered at the Annual Meeting at the time and on the date specified above or at any time and date to which the Annual Meeting may be properly adjourned or postponed.

Record Date: You are entitled to notice of and to vote at the Annual Meeting and any adjournment or postponement thereof only if you were a holder of record of shares of American Apparel, Inc. common stock as of the close of business on October 14, 2010. If your shares are held in an account at a brokerage firm, bank or similar organization, that organization is considered the record holder for purposes of voting at the Annual Meeting and will provide you with instructions on how you can direct that organization to vote your shares.

Internet Access to Proxy Materials: Under rules adopted by the Securities and Exchange Commission, we are providing access to our 2010 Annual Meeting materials, which include the accompanying Proxy Statement and our 2009 Annual Report on Form 10-K and Amendments No. 1, 2 and 3 thereto, over the Internet in lieu of mailing printed copies. We will begin mailing, on or about October 25, 2010, a Notice of Internet Availability of Proxy Materials (which is different than this Notice of Annual Meeting of Stockholders) to our stockholders. The Notice of Internet Availability of Proxy Materials will contain instructions on how to access and review the 2010 Annual Meeting materials and vote online. The Notice of Internet Availability of Proxy Materials also will contain instructions on how you can request a printed copy of the 2010 Annual Meeting materials, including a proxy card if you are a record holder or a voting instruction form if you are beneficial owner.

Voting: Your vote is very important. Whether or not you plan to attend the Annual Meeting, we encourage you to read the accompanying Proxy Statement and our 2009 Annual Report on Form 10-K and Amendments No. 1, 2 and 3 thereto, and vote as soon as possible. For specific instructions on how to vote your shares, please refer to the instructions in the Notice of Internet Availability of Proxy Materials and the section entitled Questions and Answers about the Proxy Materials and Annual Meeting beginning on page 1 of the accompanying Proxy Statement.

Admission: Space limitations make it necessary to limit attendance at the Annual Meeting to stockholders and one guest. If your shares are held in an account at a brokerage firm, bank or similar organization and you wish to attend the Annual Meeting, you must obtain a letter from that brokerage firm, bank or similar organization confirming your beneficial ownership of the shares as of the record date and bring it to the Annual Meeting. Admission to the Annual Meeting will be on a first-come, first-served basis. Cameras and recording devices will not be permitted at the Annual Meeting.

The Annual Meeting will begin promptly at 2:00 p.m., Pacific Time.

Registration will begin at 1:30 p.m., Pacific Time.

Sincerely,

/s/ Glenn A. Weinman

Glenn A. Weinman
Senior Vice President, General Counsel and Secretary

Los Angeles, California

October 15, 2010

AMERICAN APPAREL, INC.

747 Warehouse Street

Los Angeles, California 90021

PROXY STATEMENT

FOR 2010 ANNUAL MEETING OF STOCKHOLDERS

To be held on December 10, 2010

QUESTIONS AND ANSWERS ABOUT THE PROXY MATERIALS AND ANNUAL MEETING

Q: Why am I receiving these materials?

A: This proxy statement (this Proxy Statement), together with our Annual Report on Form 10-K for the year ended December 31, 2009 and Amendments No. 1, 2 and 3 thereto (our Annual Report), is being made available to stockholders commencing on or about October 25, 2010 in connection with the solicitation by the Board of Directors (the Board of Directors or the Board) of American Apparel, Inc. (the Company or American Apparel) of proxies for use at the 2010 Annual Meeting of Stockholders and any adjournments or postponements thereof (the Annual Meeting) to be held at the Company's headquarters located at 747 Warehouse Street, Los Angeles, California 90021, on Friday, December 10, 2010, at 2:00 p.m., Pacific Time, for the purposes set forth in this Proxy Statement and in the accompanying Notice of Annual Meeting of Stockholders.

Q: Will I be receiving printed copies of the 2010 Annual Meeting materials?

A: You will not receive printed copies unless you request them by following the instructions in the Notice of Internet Availability of Proxy Materials (the Notice) that you will receive in the mail. The Notice is different than the Notice of Annual Meeting of Stockholders that accompanies this Proxy Statement. We will begin mailing the Notice to stockholders on or about October 25, 2010.

Under rules adopted by the Securities and Exchange Commission (the SEC), we are providing access to our 2010 Annual Meeting materials, which include this Proxy Statement and our Annual Report, over the Internet in lieu of mailing printed copies. The Notice will contain instructions on how to access and review the 2010 Annual Meeting materials and vote online. This electronic access process is designed to expedite stockholders' receipt of materials, lower the cost of the Annual Meeting and help conserve natural resources. The Company encourages you to take advantage of the availability of the proxy materials on the Internet.

The Notice also will contain instructions on how you can request a printed copy of the 2010 Annual Meeting materials, including a proxy card if you are a record holder or a voting instruction form if you are a beneficial owner. By following the instructions in the Notice, you may request to receive, at no cost, a printed copy in paper or via e-mail of the 2010 Annual Meeting materials and materials for future proxy solicitations. Your request to receive materials in paper or via e-mail will remain in effect until you terminate it.

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Q: I share an address with another stockholder, and we received only one copy of the Notice. How may I obtain a separate copy of the Notice?

A: The Company has adopted a procedure called householding, which the SEC has approved. Under this procedure, the Company may deliver a single copy of the Notice to stockholders who share the same address unless the Company has received contrary instructions from one or more of the stockholders. This

procedure reduces the Company's printing costs, mailing costs and fees. All stockholders have the ability to access the 2010 Annual Meeting materials on the website referred to in the Notice. If you would like to receive a separate copy of the Notice, please submit your request to:

American Apparel, Inc.

Attn: Investor Relations

747 Warehouse Street

Los Angeles, California 90021

(213) 488-0226

Similarly, if you share an address with another stockholder and received multiple copies of the Notice, you may write or call us at the above address and phone number to make arrangements to receive a single copy of the Notice at the shared address in the future.

In addition, if you share the same address with another stockholder and requested a printed copy of the 2010 Annual Meeting materials, you may write or call us at the above address to request that a separate copy of the 2010 Annual Meeting materials be delivered to each stockholder at the shared address.

Stockholders who hold shares in an account at a brokerage firm, bank or similar organization may contact their brokerage firm, bank or other similar organization to request information about householding.

Q: What does it mean if I get more than one Notice?

A: If your shares are registered differently and are in more than one account, you may receive more than one Notice. Please follow the instructions printed on each Notice that you receive and vote the shares represented by each Notice to ensure that all of your shares are voted. If you requested to receive a printed copy of the 2010 Annual Meeting materials, please follow the voting instructions on the proxy cards or voting instruction forms, as applicable, and vote all proxy cards or voting instruction forms, as applicable, to ensure that all of your shares are voted. We encourage you to have all accounts registered in the same name and address whenever possible. You can accomplish this by contacting our transfer agent at:

Continental Stock Transfer & Trust Company

17 Battery Place

New York, NY 10004

(212) 509-4000, extension 206

continentalstock.com

estmail@continentalstock.com

Q: How can I get electronic access to the 2010 Annual Meeting materials?

A: The Notice will provide you with instructions regarding how to view the 2010 Annual Meeting materials on the Internet. This Proxy Statement and our Annual Report are also available without charge on the Company's website at investors.americanapparel.net and the SEC's website at sec.gov. By referring to our website, we do not incorporate the website or any portion of the website by reference into this Proxy Statement.

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The Notice will also contain instructions on how you can elect to receive future proxy materials electronically by e-mail. Choosing to receive future proxy materials by e-mail will save the Company the cost of printing and mailing documents to you and will reduce the impact of the Company's annual meetings on the environment. If you choose to receive future proxy materials by e-mail, you will receive an e-mail message next year with instructions containing a link to those materials and a link to the proxy voting website. Your election to receive proxy materials by e-mail will remain in effect until you terminate it.

Q: How may I obtain a copy of the Company's 2009 Annual Report on Form 10-K?

A: Our Annual Report will be made available over the Internet as set forth in the Notice. You may also request, without charge, a paper or e-mail copy of the Annual Report by following the instructions in the Notice. In

addition, you may obtain, without charge, a copy of the Annual Report from the SEC's website at sec.gov or the Company's website at investors.americanapparel.net. By referring to our website, we do not incorporate the website or any portion of the website by reference into this Proxy Statement.

Q: What items will be voted on at the Annual Meeting?

- A:**
- (1) The election of each of Messrs. Dov Charney, Mark Samson and Mark A. Thornton to the Board of Directors, each to serve for a term of three years and until his successor is duly elected and qualified, or such director's earlier death, resignation or removal. This proposal is referred to as Proposal 1.
 - (2) The ratification of the appointment of Marcum LLP as our independent auditors for the fiscal year ending December 31, 2010. This proposal is referred to as Proposal 2.
 - (3) Such other business as may properly come before the Annual Meeting.

The stockholders of the Company have no dissenters' or appraisal rights in connection with any of the proposals to be voted on at the Annual Meeting.

Q: How does the Board recommend I vote on the proposals?

A: The Board recommends a vote FOR the election of each of Messrs. Dov Charney, Mark Samson and Mark A. Thornton to the Board of Directors, each to serve for a term of three years and until his successor is duly elected and qualified, or such director's earlier death, resignation or removal.

The Board recommends a vote FOR the ratification of Marcum LLP as our independent auditors for the year ending December 31, 2010.

Q: Who is entitled to vote?

A: Only holders of record of common stock (the Common Stock) of the Company as of the close of business on October 14, 2010 (the Record Date) are entitled to vote at the Annual Meeting.

If your shares are held in an account at a brokerage firm, bank or similar organization, that organization is considered the record holder for purposes of voting at the Annual Meeting and will provide you with instructions on how to direct that organization to vote your shares. See "What if my shares are held in an account at a brokerage firm, bank or similar organization?" below.

Q: How many shares can vote?

A: As of the Record Date, October 14, 2010, 71,447,445 shares of Common Stock, the only outstanding voting securities of the Company, were issued and outstanding. Each record holder of Common Stock is entitled to one vote for each share held.

Q: How do I vote?

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A: There are four ways to vote:

Voting in Person. To vote in person, you must attend the Annual Meeting and follow the procedures for voting announced at the Annual Meeting. If your shares are held in an account at a brokerage firm, bank or similar organization, you must present a signed proxy from that organization in order to be able to vote at the Annual Meeting.

Voting by Internet. You may vote by proxy over the Internet by following the instructions provided in the Notice.

Voting by Telephone. If you requested a printed copy of the 2010 Annual Meeting materials, you may vote by proxy by calling the toll free number found on the proxy card or voting instruction form, as applicable.

Voting by Mail. If you requested a printed copy of the 2010 Annual Meeting materials, you may vote by proxy by mail by following the instructions on the proxy card or voting instruction form, as applicable.

Q: Can I mark my votes on the Notice and send it back to the Company or my broker?

A: No. The Notice is not a ballot. You cannot use it to vote your shares. If you mark your vote on the Notice and send it back to the Company or your broker, your vote will not count.

Q: Can I change my vote after I have voted?

A: You may revoke your proxy and change your vote at any time before the final vote at the Annual Meeting by voting again by proxy as described above (only your latest, properly completed proxy submitted, whether by mail, telephone or the Internet, prior to the Annual Meeting will be counted) or by attending the Annual Meeting and voting in person. However, your attendance at the Annual Meeting will not automatically revoke your proxy unless you vote again at the Annual Meeting or specifically request in writing that your prior proxy be revoked by delivering to the Company's Secretary at 747 Warehouse Street, Los Angeles, California 90021 a written notice of revocation prior to the Annual Meeting.

Q: What if my shares are held in an account at a brokerage firm, bank or similar organization?

A: If your shares are held in an account at a brokerage firm, bank or similar organization, then you are the beneficial owner of shares held in street name, and the Notice was forwarded to you by that organization. The organization holding your account is considered the record holder for purposes of voting at the Annual Meeting. As a beneficial owner, you have the right to direct that organization on how to vote the shares held in your account, and that organization will provide you with instructions on how to do so. If you requested a printed copy of the 2010 Annual Meeting materials, you will receive a voting instruction form from your brokerage firm, bank or similar organization instead of a proxy card, and you should follow the instructions on the voting instruction form.

If you do not provide the organization that holds your shares with specific voting instructions, under the rules of the NYSE Amex LLC (the NYSE Amex) in effect as of the date of this Proxy Statement, that organization generally may vote on routine matters but cannot vote on non-routine matters. Non-routine matters include Proposal 1. If the organization that holds your shares does not receive instructions from you on how to vote your shares on a non-routine matter, that organization will inform the inspector of elections that it does not have the authority to vote on that matter with respect to your shares. This is generally referred to as a broker non-vote. A broker non-vote will have the effects described under **What is a quorum?** and **What is required to approve each proposal?** below.

Q: What is a quorum?

A: A quorum is a majority of the outstanding shares entitled to vote, present in person or represented by proxy. Abstentions and broker non-votes will be counted for purposes of determining whether a quorum is present.

Q: What is required to approve each proposal?

A: A quorum must have been established in order to consider any matter. For Proposal 1, directors are elected by a plurality of votes cast. Therefore, the three candidates for director receiving the most votes will become directors of the Company. Stockholders may not cumulate their votes. Any broker non-votes and any proxies marked **Withhold** with respect to the election of one or more directors will not count as votes cast with respect to the director or directors indicated and therefore will be

disregarded for purposes of determining the outcome of this proposal.

Proposal 2, the ratification of our independent auditors, requires the affirmative for vote of a majority of those shares present in person or represented by proxy and entitled to vote on this proposal at the Annual Meeting. Any abstentions with respect to this proposal will count as votes against this proposal.

Dov Charney, the beneficial owner of approximately 53.3% of the outstanding shares of Common Stock and voting power of the Company as of October 14, 2010, has informed the Company that he intends to vote in favor of the election of Messrs. Charney, Samson and Thornton to the Board of Directors. Mr. Charney's vote is sufficient to elect Messrs. Charney, Samson and Thornton without further affirmative votes from the other stockholders. For more information on shares owned by Mr. Charney and other directors and executive officers of the Company, see Beneficial Ownership of Shares herein. Pursuant to the Investment Voting Agreement (described under Certain Relationships and Related Transactions herein), for so long as Lion/Hollywood LLC has the right to designate any person or persons to the Board of Directors, Lion/Hollywood LLC has agreed to vote its shares of Common Stock in favor of Mr. Charney each time Mr. Charney is nominated for election to the Board of Directors, provided that Lion/Hollywood LLC's obligation to so vote terminates under certain circumstances as described under Certain Relationships and Related Transactions herein.

In addition, Mr. Charney has informed the Company that he intends to vote in favor of Proposal 2, and his vote is sufficient to approve such proposals without further affirmative votes from the other stockholders.

Q: How will voting on any other business be conducted?

A: Although we do not know of any business to be considered at the Annual Meeting other than the proposals described in this Proxy Statement, if any other business is presented at the Annual Meeting, your signed proxy or your authenticated Internet or telephone proxy, will give authority to each of Dov Charney, our Chairman and Chief Executive Officer, Adrian Kowalewski, our Executive Vice President and Chief Financial Officer, and Glenn A. Weinman, our Senior Vice President, General Counsel and Secretary, to vote on such matters at his discretion.

Q: What is the deadline to propose actions for consideration at next year's annual meeting of stockholders or to nominate individuals to serve as directors?

A: You may submit proposals, including director nominations, for consideration at future stockholder meetings as follows:
Stockholder Proposals: For a stockholder proposal to be considered for inclusion in the Company's proxy statement for the 2011 Annual Meeting of Stockholders, the written proposal must be delivered to or mailed and received by the Secretary of the Company at our principal executive offices no later than June 27, 2011. If the date of the 2011 Annual Meeting of Stockholders is moved more than 30 days before or after the anniversary date of the Annual Meeting, the deadline for inclusion of proposals in our proxy statement instead will be a reasonable time before we begin to print and mail our proxy materials. Such proposals also will need to comply with Rule 14a-8 under the Securities Exchange Act of 1934, as amended (the Exchange Act), regarding the inclusion of stockholder proposals in company-sponsored proxy materials. Proposals should be addressed to:

American Apparel, Inc.

Attn: Glenn A. Weinman, Secretary

747 Warehouse Street

Los Angeles, California 90021

(213) 488-0226

For a stockholder proposal that is not intended to be included in the Company's proxy statement for the 2011 Annual Meeting of Stockholders under Rule 14a-8 under the Exchange Act, written notice of the proposal, which notice must include the information required by the Company's bylaws (the Bylaws), must be received by the Company's Secretary:

Not earlier than the close of business on the 90th day prior to the 2011 Annual Meeting of Stockholders; and

Not later than the close of business on the 60th day prior to the 2011 Annual Meeting of Stockholders.

If less than 70 days notice or prior public disclosure of the date of the 2011 Annual Meeting of Stockholders is given or made to stockholders, then notice of a stockholder proposal that is not intended to be included in the Company's proxy statement under Rule 14a-8 under the Exchange Act must be received no later than the close of business on the tenth day following the date on which notice of the date of the 2011 Annual Meeting of Stockholders is mailed to the stockholders or the date on which public disclosure of the date of the 2011 Annual Meeting of Stockholders is made, whichever is first.

Nomination of Director Candidates: You may propose director candidates for consideration by the Board's Nominating and Corporate Governance Committee or you may nominate director candidates directly at an annual meeting in accordance with the procedures set forth in the Bylaws, as summarized under the caption "Corporate Governance and Board Matters - Consideration of Director Nominees - Stockholder Nominees" herein.

Copy of Bylaw Provisions: You may contact the Company's Secretary at our principal executive offices for a copy of the relevant Bylaw provisions regarding the requirements for making stockholder proposals and nominating director candidates.

Q: How is the Company soliciting proxies for the Annual Meeting?

A: This solicitation is made via the Internet on behalf of the Board of Directors. Costs of the solicitation will be borne by the Company. Further solicitation of proxies may be made by telephone, mail, facsimile or personal interview by the directors, officers and employees of the Company and its affiliates, who will not receive additional compensation for the solicitation. The Company will reimburse banks, brokerage firms and other custodians, nominees and fiduciaries for reasonable expenses incurred by them in forwarding proxy materials to stockholders.

Q: How can I find the voting results of the Annual Meeting?

A: We intend to announce preliminary voting results at the Annual Meeting and will publish final results in our Current Report on Form 8-K within four business days after the Annual Meeting.

Q: How may I communicate with the Company's Board or the non-management directors on the Company's Board?

A: You may communicate with the Board by submitting an e-mail to the Company's Board at bod@americanapparel.net. All directors have access to this e-mail address.

PROPOSAL 1: ELECTION OF CLASS C DIRECTORS

Pursuant to the Company's certificate of incorporation, the Board of Directors is divided into three classes of directors serving staggered terms (Classes A, B and C). One class of directors is elected at each annual meeting of stockholders for a three-year term, and those directors will hold office until their successors have been duly elected and qualified, or until their earlier death, resignation or removal. The Bylaws authorize a Board of Directors consisting of not less than one or more than nine directors. The Board of Directors currently consists of nine members: Messrs. Dov Charney, Robert Greene, Adrian Kowalewski, Lyndon Lea, Allan Mayer, Keith Miller, Neil Richardson, Mark Samson and Mark A. Thornton.

The terms of Messrs. Charney, Samson and Thornton will expire at the Annual Meeting. After careful consideration of the specific experience, qualifications, attributes and skills of each director and director nominee, the Board has nominated Dov Charney, Mark Samson and Mark A. Thornton (the Class C Nominees) for reelection at the Annual Meeting. Messrs. Samson and Thornton currently meet the criteria to qualify as independent directors according to SEC regulations and NYSE Amex listing standards.

If elected, each of the Class C Nominees will serve for a term of three years and until his successor is duly elected and qualified at the 2013 Annual Meeting of Stockholders, or such director's earlier death, resignation or removal.

Each of the Class C Nominees has consented to being named in this Proxy Statement and has agreed to serve as a member of the Board of Directors if elected. If any of the Class C Nominees is unable to serve, which is not anticipated, the persons named as proxies intend to vote for such other person or persons as the Board of Directors may designate in accordance with the Investment Agreement and the Investment Voting Agreement described below. In no event will the shares represented by the proxies be voted for more than three nominees for Class C directors at the Annual Meeting.

The names and certain information concerning each of the Class C Nominee's experience, qualifications, attributes and skills are set forth below, and the names and certain information regarding the continuing directors whose terms expire in 2011 and 2012 are set forth under the heading Directors and Executive Officers herein.

Dov Charney has served as Chairman of the Board, Chief Executive Officer and a director of American Apparel since the consummation of the Acquisition (as defined under Corporate Governance and Board Matters Background of American Apparel, Inc. below) on December 12, 2007, and has served as President of American Apparel from December 12, 2007 until October 1, 2010. Prior to the Acquisition, Mr. Charney served as founder, director, chief executive officer and president of American Apparel's predecessor companies since their formation in Columbia, South Carolina, in 1989. Mr. Charney is a graduate of Choate Rosemary Hall and attended Tufts University. Having founded Old American Apparel (as defined under Corporate Governance and Board Matters below) and its predecessor companies and having served as the Chairman and Chief Executive Officer of the Company since 2007 and as President of the Company from 2007 until October 1, 2010, Mr. Charney provides our Board with an informed perspective on the Company and the apparel industry.

Mark Samson became a director of American Apparel upon consummation of the Acquisition on December 12, 2007. Since 1999, Mr. Samson has been a managing director of Getzler Henrich and Associates LLC (Getzler Henrich), a leading corporate restructuring firm in the U.S. with a focus on middle market companies. In this capacity, he has served as interim chief executive officer, chief operating officer and/or chief restructuring officer and financial advisor for more than 80 companies. During his tenure with Getzler Henrich, Mr. Samson has provided numerous clients with guidance in operational restructuring, bankruptcy proceedings and business operation, management practices, cash flow and profitability improvements. From 1984 to 2000, Mr. Samson served as executive chairman of the board, co-president and chief executive officer of Debjon Group/Sidcor/MQM Group, a consortium of 53 vertically integrated retail businesses and convenience stores. From 1976 to 1984, Mr. Samson was marketing director for the Berden Group, the largest manufacturer of work wear and corporate uniforms in South Africa. Mr. Samson received his BBA in Economics from the University of South Africa. Mr. Samson is a member of the Turnaround Management Association and the American

Bankruptcy Institute. Mr. Samson has been published in the New York Law Journal. The Nominating and Corporate Governance Committee and the Board of Directors believes that Mr. Samson's experience as a managing director of Getzler Henrich, combined with the leadership skills and experiences of our other Board members, provides the Company with the perspectives and judgment necessary to guide the Company's strategy and monitor execution.

Mark A. Thornton became a director of American Apparel upon consummation of the Acquisition on December 12, 2007. Since January 2005, Mr. Thornton has been an independent consultant to various clients, advising them in the areas of private equity raises and project management, and also ran courses for the Harvard Negotiation Insight Initiative at Harvard Law School, and the Leadership Development Program for Wharton Business School at the University of Pennsylvania, as well as Fortune 100 companies. From April 2002 until December 2004, Mr. Thornton researched and authored a book, entitled *Meditation in a New York Minute*, which was published by Sounds True. At various times during the period from 1997 to March 2002, Mr. Thornton worked in several capacities for JPMorgan, including serving as the chief operating officer for JPMorgan Private Bank in London from June 2001 to March 2002, specializing in operational risk management relating to the merger of JPMorgan with Robert Fleming. He oversaw core aspects of the merger and chaired numerous committees related to operational risk, new product lines and new business development. Prior to joining JPMorgan Investment Management in 1997, Mr. Thornton worked in various market risk and credit risk positions for blue chip investment banks and securities firms, including Daiwa Europe Bank plc and Australian and New Zealand Banking Group Ltd. The Nominating and Corporate Governance Committee and the Board of Directors believes that Mr. Thornton's experience in a leadership position as chief operating officer of JP Morgan Private Bank, advising clients in raising private equity, combined with the leadership skills and experiences of our other Board members, provides the Company with the perspectives and judgment necessary to guide the Company's strategy and monitor execution.

Pursuant to the Investment Voting Agreement, described under "Certain Relationships and Related Transactions" herein, for so long as Lion/Hollywood LLC (as successor by assignment to Lion Capital (Guernsey) II Limited, "Lion") has the right to designate any person or persons to the Board of Directors, Lion has agreed to vote its shares of Common Stock in favor of Mr. Charney each time Mr. Charney is nominated for election to the Board of Directors, provided that Lion's obligation to so vote terminates under certain circumstances as described under "Directors and Executive Officers" herein.

Vote Required

The Class C Nominees will be elected by a plurality of the votes cast as the Annual Meeting. **Unless instructed to the contrary in the proxy, the shares represented by the proxies will be voted FOR the election of the Class C Nominees named above.**

Pursuant to the agreements described above, Mr. Charney, the beneficial owner of approximately 53.3% of the outstanding shares of Common Stock and voting power of the Company as of October 14, 2010, has agreed to vote his shares of Common Stock in favor of the election of Messrs. Charney, Samson and Thornton to the Board of Directors. Mr. Charney's vote is sufficient to elect Messrs. Charney, Samson and Thornton without further affirmative votes from the other stockholders. For more information on shares owned by Mr. Charney and other directors and executive officers of the Company, see "Beneficial Ownership of Shares" herein. Pursuant to the Investment Voting Agreement (described under "Certain Relationships and Related Transactions" herein), for so long as Lion has the right to designate any person or persons to the Board of Directors, Lion has agreed to vote its shares of Common Stock in favor of Mr. Charney each time Mr. Charney is nominated for election to the Board of Directors, provided that Lion's obligation to so vote terminates under certain circumstances as described under "Certain Relationships and Related Transactions" herein.

Any broker non-votes and any proxies marked "Withhold" with respect to the election of one or more directors will not count as votes cast with respect to the director or directors indicated and therefore will be disregarded for purposes of determining the outcome of the election of the Class C Nominees.

The Board of Directors unanimously recommends a vote FOR each of the Class C Nominees.

PROPOSAL 2: RATIFICATION OF APPOINTMENT OF INDEPENDENT AUDITORS

The Audit Committee has selected the firm of Marcum LLP (formerly Marcum & Kleigman LLP, Marcum) to act as the Company's independent auditors for the fiscal year ending December 31, 2010, and recommends that the stockholders vote in favor of such appointment. Deloitte & Touche LLP (Deloitte) acted as the Company's independent auditors for the fiscal year ending December 31, 2009.

Change in Accountants in 2009

Effective April 3, 2009, the Audit Committee of the Board of Directors (the Audit Committee) of the Company appointed Deloitte as the Company's independent registered public accounting firm for the year ending December 31, 2009, and dismissed Marcum as the Company's independent registered public accounting firm. Deloitte accepted the engagement as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2009 on April 6, 2009. Except as described below, Marcum did not perform any audit or review services for the Company subsequent to the issuance of its audit report dated March 16, 2009 (which was included in our Annual Report on Form 10-K for the year ended December 31, 2008 (2008 Annual Report)), with respect to the Company's financial statements for the year ended December 31, 2008. As described below, the change in independent registered public accounting firms was not the result of any disagreement with Marcum. During the years ended December 31, 2008 and December 31, 2007, and during the subsequent interim period from January 1, 2009 through April 3, 2009, the Company had no disagreements with Marcum on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure that, if not resolved to Marcum's satisfaction, would have caused Marcum to make reference to the subject matter thereof in connection with its report on the Company's consolidated financial statements for either of such years. Marcum's audit report dated March 16, 2009 (which was included in the 2008 Annual Report) on the Company's consolidated financial statements as of, and for the years ended, December 31, 2008 and December 31, 2007, did not contain an adverse opinion or a disclaimer of opinion, nor was it qualified or modified as to uncertainty, audit scope, or accounting principles.

During the years ended December 31, 2008 and December 31, 2007, and during the subsequent interim period from January 1, 2009 through April 3, 2009, there were no reportable events (as defined in Item 304(a)(1)(v) of Regulation S-K), except that (i) in Marcum's report dated March 16, 2009 (which was included in the 2008 Annual Report) on the Company's internal control over financial reporting as of December 31, 2008, Marcum expressed an adverse opinion on the effectiveness of the Company's internal control over financial reporting due to the existence of the material weaknesses identified and described in Management's Report on Internal Control Over Financial Reporting under Item 9A in the Annual Report on Form 10-K for the year ended December 31, 2008; and (ii) Marcum discussed with the Audit Committee the existence of the material weaknesses in the Company's internal control over financial reporting identified and described in Internal Control Over Financial Reporting under Item 9A in the Company's Annual Report on Form 10-K for the year ended December 31, 2007, filed with the SEC on March 17, 2008. In accordance with Item 304(a)(3) of Regulation S-K, the Company provided Marcum with a copy of the disclosures it made in the Company's Amendment No. 1 to Current Report on Form 8-K filed on April 10, 2009 (the April 2009 Current Report) prior to the time the April 2009 Current Report was filed with the SEC. The Company requested that Marcum furnish a letter addressed to the SEC stating whether or not it agrees with the statements made herein. A copy of Marcum's letter dated April 10, 2009 was filed as Exhibit 16.1 to the April 2009 Current Report.

During the years ended December 31, 2008 and December 31, 2007, and during the subsequent interim period from January 1, 2009 through April 3, 2009, respectively, neither the Company nor anyone acting on its behalf has consulted with Deloitte on any of the matters or events set forth in Item 304(a)(2) of Regulation S-K. Deloitte LLP, a member firm of Deloitte Touche Tohmatsu that is based in the United Kingdom, has in the past provided, and may in the future provide, certain tax services to Lion Capital LLP and its partners including preparing personal tax returns for Mr. Richardson and several other partners of Lion Capital LLP and providing advice to Lion Capital and its affiliates regarding tax compliance and the structuring of transactions, in each case, where such

services are permissible under the independence rules related to taxes promulgated by the Public Company Accounting Oversight Board. Currently, there are no plans for Messrs. Lea or Richardson to be members of any of the current Committees of the Board of Directors.

Change in Accountants in 2010

Effective July 22, 2010, Deloitte resigned as the Company's independent registered public accounting firm. During the period from April 3, 2009 through July 22, 2010, the Company had no disagreements with Deloitte on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure that, if not resolved to Deloitte's satisfaction, would have caused Deloitte to make reference to the subject matter thereof in connection with its report on the Company's consolidated financial statements for the year ended December 31, 2009.

Deloitte's audit report dated March 31, 2010 (which was included in the Annual Report) on the Company's consolidated financial statements as of, and for the year ended, December 31, 2009 did not contain an adverse opinion or a disclaimer of opinion, nor was it qualified or modified as to uncertainty, audit scope, or accounting principles.

During the period from April 3, 2009 through July 22, 2010, there were no reportable events (as defined in Item 304(a)(1)(v) of Regulation S-K), except that (i) in Deloitte's report dated March 31, 2010 (which was included in the Annual Report) on the Company's internal control over financial reporting as of December 31, 2009, Deloitte identified material weaknesses in internal control over financial reporting related to the control environment and to the financial closing and reporting process, which are further described under Item 9A in the Annual Report, and advised that the Company has not maintained effective internal control over financial reporting as of December 31, 2009; and (ii) Deloitte advised the Company that certain information has come to Deloitte's attention, that if further investigated may materially impact the reliability of either its previously issued audit report or the underlying consolidated financial statements for the year ended December 31, 2009 included in the Annual Report. Deloitte has requested that the Company provide Deloitte with the additional information Deloitte believes is necessary to review before the Company and Deloitte can reach any conclusions as to the reliability of the previously issued consolidated financial statements for the year ended December 31, 2009 and auditors' report thereon.

The Audit Committee of the Board of Directors of the Company discussed each of these matters with Deloitte. The Company has authorized Deloitte to respond fully to the inquiries of the Company's successor accountants concerning each of these matters.

In accordance with Item 304(a)(3) of Regulation S-K, the Company provided Deloitte with a copy of the disclosures it made in the Company's Current Report on Form 8-K filed on July 28, 2010 (the July 2010 Current Report) prior to the time the July 2010 Current Report was filed with the SEC. The Company requested that Deloitte furnish a letter addressed to the SEC stating whether or not it agrees with the statements made herein. A copy of Deloitte's letter dated July 28, 2010 was filed as Exhibit 16.1 to the July 2010 Current Report.

On July 26, 2010, the Audit Committee engaged Marcum as the Company's independent auditors to audit the Company's financial statements. During the fiscal years ended December 31, 2008 and 2009, and the subsequent interim period from January 1, 2010 through July 26, 2010, the Company has not, and no one on the Company's behalf has, consulted with Marcum on any of the matters or events set forth in Item 304(a)(2) of Regulation S-K, except that (i) Marcum audited the Company's consolidated financial statements as of, and for the year ended, December 31, 2008, (ii) Marcum expressed an adverse opinion on the effectiveness of the Company's internal control over financial reporting as described in the Company's Amendment No. 1 to Current Report on Form 8-K/A filed with the SEC on April 10, 2009, (iii) the Company discussed certain matters with Marcum as described in the Company's Current Report on Form 8-K filed with the SEC on July 23, 2009, (iv) Marcum reissued its auditors' report, dated August 12, 2009, in conjunction with the Company's

Amendment No. 1 to its Annual Report on Form 10-K for the year ended December 31, 2008, filed with the SEC on August 13, 2009, and the 2009 Form 10-K, (v) Marcum issued a consent for the incorporation by reference of its auditors' report in the Company's Form S-8, filed with the SEC on November 24, 2009, (vi) Marcum issued a consent for the incorporation by reference of its auditors' report in the Company's Form S-8, filed with the SEC on April 17, 2008 and (vii) Marcum performed related auditing, review and updating procedures during the time period that Marcum was terminated as the Company's independent registered public accounting firm, effective April 3, 2009, and the date that Marcum was reappointed on July 26, 2010.

In accordance with Item 304(a)(2)(ii)(D) of Regulation S-K, the Company requested that Marcum review the disclosure required by Item 304(a) of Regulation S-K before the July 2010 Current Report was filed with the SEC and provided Marcum the opportunity to furnish the Company with a letter addressed to the SEC containing any new information, clarification of the Company's expression of its views, or the respect in which it does not agree with the statements made by the Company. No such letter was provided by Marcum.

Although stockholder ratification of the selection of Marcum as our independent auditors is not required by our Bylaws or otherwise, the Board of Directors believes it appropriate as a matter of policy to request that stockholders ratify the selection of the Company's independent registered public accounting firm. In the event the stockholders do not ratify the appointment of Marcum, the Audit Committee will reconsider its appointment. In addition, even if the stockholders ratify the appointment of Marcum, the Audit Committee may in its discretion appoint a different independent public accounting firm at any time if the Audit Committee determines that a change is in the best interests of the Company and its stockholders. Representatives of Marcum are expected to be present at the Annual Meeting to respond to appropriate questions and to make a statement if such representatives so desire. Representatives of Deloitte are not expected to be present at the Annual Meeting.

Vote Required

The affirmative vote of a majority of shares present in person or represented by proxy at the Annual Meeting and entitled to vote is required to ratify the selection of Marcum as our independent auditors for the fiscal year ending December 31, 2010. **Unless instructed to the contrary in the proxy, the shares represented by the proxies will be voted FOR this Proposal 2.**

Dov Charney, the beneficial owner of approximately 53.3% of the outstanding shares of Common Stock and voting power of the Company as of October 14, 2010, has informed the Company that he intends to vote in favor of this Proposal 2, and his vote is sufficient to approve this Proposal 2 without further affirmative votes from the other stockholders. For more information on shares owned by Mr. Charney and other directors and executive officers of the Company, see "Beneficial Ownership of Shares" herein.

Any abstentions with respect to this Proposal 2 will count as votes AGAINST this Proposal 2.

The Board of Directors unanimously recommends a vote FOR this Proposal 2.

RELATIONSHIP WITH INDEPENDENT AUDITORS
Principal Accounting Firm Fees

Aggregate fees billed to us for the fiscal years ended December 31, 2009 and 2008 by our current and former independent auditors are as follows.

	For the year ended December 31,	
	2009	2008
	(in thousands)	
Deloitte & Touche LLP (1)		
Audit fees (3)	\$ 3,015	\$
Tax fees (4)	35	
All other fees (5)	5	
	\$ 3,055	\$
Marcum LLP (formerly known as Marcum & Kleigman LLP) (2)		
Audit fees (3)	\$ 152	\$ 2,893
	\$ 152	\$ 2,893

- (1) Deloitte served as our independent auditors from April 3, 2009 to July 22, 2010.
- (2) Marcum, our current independent auditors since July 26, 2010, also served as our independent auditors during 2008 and through April 3, 2009.
- (3) Audit fees consist of fees for professional services rendered by the principal accountant for the audit of the Company's annual financial statements included in Form 10-Ks, the review of financial statements included in Form 10-Qs and for services that are normally provided by the auditor in connection with statutory and regulatory filings or engagements for those fiscal years.
- (4) Tax fees consist of fees for professional services rendered by the principal accountant for tax compliance, tax advice and tax planning. Deloitte reviewed our tax provision work papers, and all documentation supporting each uncertain tax position that we recognized in 2009.
- (5) All other fees consist of fees for any products and services provided by the principal accountant not included in the first three categories. In accordance with Section 10A(i) of the Exchange Act, before the Company engages its independent accountant to render audit or non-audit services, the engagement will be approved by our Audit Committee. The Audit Committee considered whether the provision of non-audit services provided by Deloitte during 2009 was compatible with maintaining Deloitte's independence. In addition to retaining Marcum to audit and review our consolidated financial statements for 2008, the Company retained other accounting firms to provide tax and advisory services in 2009. Marcum did not provide any tax or advisory services to the Company in 2009. The Company understands the need for its independent auditors to maintain objectivity and independence in its audit of the Company's financial statements.

All of our independent auditor's fees were pre-approved by the Audit Committee in 2009. The Audit Committee utilizes a policy pursuant to which the audit, audit-related, and permissible non-audit services to be performed by the independent auditor are pre-approved prior to the engagement to perform such services. Pre-approval is generally provided annually, and any pre-approval is detailed as to the particular service or category of services and is generally limited by a maximum fee amount. The independent auditor and management are required to periodically report to the Audit Committee regarding the extent of services provided by the independent auditor in accordance with this pre-approval, and the fees for the services performed to date.

REPORT OF THE AUDIT COMMITTEE

The Audit Committee assists the Board in fulfilling its responsibilities for general oversight of the integrity of the Company's financial statements, the Company's compliance with legal and regulatory requirements, the Company's system of internal control over financial reporting and the qualifications, independence and performance of the Company's internal audit function and independent auditor. Management is responsible for the financial reporting process, including the Company's system of internal control over financial reporting, and for the preparation of the Company's consolidated financial statements in accordance with generally accepted accounting principles. The Company's independent auditor is responsible for performing an independent audit of the Company's financial statements and expressing an opinion as to the conformity of the Company's audited financial statements with generally accepted accounting principles.

The Audit Committee reviewed and discussed with management the Company's audited financial statements as of and for the fiscal year ended December 31, 2009. In addition, the Audit Committee discussed with Deloitte the matters with respect to the audit of such financial statements required to be discussed by Statement on Auditing Standards No. 61, as amended and adopted by the Public Company Accounting Oversight Board in Rule 3200T, pertaining to communications with audit committees. The Audit Committee also received the written disclosures and the letter from Deloitte required by applicable requirements of the Public Company Accounting Oversight Board regarding Deloitte's communications with the Audit Committee concerning independence and discussed with Deloitte its independence.

The Audit Committee met with Deloitte, with and without management present, to discuss the overall scope of its audit, the results of its examinations, its evaluations, if any, of the Company's internal control over financial reporting, and the overall quality of the Company's financial reporting, in each case for fiscal year 2009.

Based on the reviews and discussions referred to above, the Audit Committee recommended to the Board of Directors that the audited financial statements be included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2009 for filing with the SEC.

On July 28, 2010, the Company reported on Form 8-K that it had been advised by Deloitte that certain information had come to Deloitte's attention that if further investigated may materially impact the reliability of either its previously issued audit report or the underlying consolidated financial statements for the year ended December 31, 2009 included in the Company's 2009 Form 10-K. Deloitte has requested that the Company provide Deloitte with the additional information Deloitte believes is necessary to review before the Company and Deloitte can reach any conclusions as to the reliability of the previously issued consolidated financial statements for the year ended December 31, 2009 and auditors' report thereon.

By the Audit Committee,

Mark Samson, Chairman
Keith Miller
Mark A. Thornton

DIRECTORS AND EXECUTIVE OFFICERS

The directors and executive officers of the Company and their ages and positions with the Company as of October 14, 2010 are as follows:

Name	Age	Position
Dov Charney (1)	41	Director, Chairman of the Board and Chief Executive Officer
Thomas M. Casey	52	Acting President
Adrian Kowalewski	33	Director, Executive Vice President and Chief Financial Officer
Martin Bailey	50	Chief Manufacturing Officer
Glenn A. Weinman	54	Senior Vice President, General Counsel and Secretary
Lyndon Lea (2)(3)	41	Director
Robert Greene	51	Director
Neil Richardson (2)	53	Director
Allan Mayer	60	Director
Keith Miller	44	Director
Mark Samson	57	Director
Mark A. Thornton	45	Director

- (1) In connection with the financing transaction with Lion Capital (Americas) Inc. (described under *Certain Relationships and Related Transactions* herein), Mr. Charney and Lion/Hollywood LLC (as successor by assignment to Lion Capital (Guernsey) II Limited, *Lion*) entered into a voting agreement, dated as of March 13, 2009 (the *Investment Voting Agreement*). Pursuant to the Investment Voting Agreement, for so long as Lion has the right to designate any person or persons to the Board of Directors, Lion has agreed to vote its shares of Common Stock in favor of Mr. Charney each time Mr. Charney is nominated for election to the Board of Directors, provided that Lion's obligation to so vote terminates under certain circumstances as described under *Certain Relationships and Related Transactions* herein.
- (2) In connection with the financing transaction with Lion Capital (Americas) Inc. (described under *Certain Relationships and Related Transactions* herein), the Company and Lion entered into an investment agreement, dated as of March 13, 2009 (as amended from time to time, the *Investment Agreement*). Pursuant to the Investment Agreement (described under *Certain Relationships and Related Transactions*), Lion currently has the right to designate two persons to the Board of Directors (*Investor Directors*) and a board observer (*Board Observer*). Lion's right to designate Investor Directors and a Board Observer is subject to maintaining certain minimum ownership thresholds of shares of Common Stock issuable under a seven-year warrant issued to Lion in connection with the financing transaction with Lion (the *Lion Warrant*), which is exercisable at any time during its term, to purchase an aggregate of 16,000,000 shares of Common Stock at an exercise price of \$2.00 per share, subject to adjustment under certain circumstances. Lion has designated Lyndon Lea and Neil Richardson as its Investor Directors. Also, pursuant to the Investment Voting Agreement (described under *Certain Relationships and Related Transactions* herein), for so long as Lion has the right to designate any person or persons to the Board of Directors, Mr. Charney has agreed to vote his shares of Common Stock in favor of Lion's designees, provided that Mr. Charney's obligation to so vote terminates under certain circumstances as described under *Certain Relationships and Related Transactions* herein.
- (3) On May 12, 2010, Jacob Capps resigned as a member of the Board, and the Board appointed Lyndon Lea to fill the vacancy, effective upon Mr. Capps' resignation from the Board.

Director Nominees

The names and certain information concerning each of the Class C Nominees' experience, qualifications, attributes and skills are set forth under Proposal 1 above.

Directors Continuing in Office

The names and certain information regarding each of the continuing director's experience, qualifications, attributes and skills are set forth below.

Class A Directors (Terms Expire at the 2011 Annual Meeting of Stockholders)

Robert Greene became a director of American Apparel upon consummation of the Acquisition on December 12, 2007. Mr. Greene is a bestselling author known for his books on business strategy. Since 2003, Mr. Greene has worked as a private consultant to several executives in businesses ranging from financial management to artists' agencies and film producers. He has written four books: *The 48 Laws of Power* (1998, over 900,000 copies sold in the U.S., and translated into 21 languages); *The Art of Seduction* (2001); *The 33 Strategies of War* (2006) and *The 50th Law* (2009). He has worked in New York City as an editor and writer for several magazines, including *Esquire*, and in Hollywood as a story developer and writer. He has previously resided in London, England; Paris, France; and Barcelona, Spain; he speaks several languages and has worked as a translator. Mr. Greene attended the University of California, Berkeley and the University of Wisconsin-Madison, where he received a B.A. in classical studies. The Nominating and Corporate Governance Committee and the Board of Directors believes that Mr. Greene's experience as a consultant and his research on business strategy, combined with the leadership skills and experiences of our other Board members, provides the Company with the perspectives and judgment necessary to guide the Company's strategy and monitor execution.

Keith Miller became a director of American Apparel upon consummation of the Acquisition on December 12, 2007. Mr. Miller is a partner of Goode Partners LLC (Goode), a private equity firm, focused on the consumer marketplace. Prior to joining Goode at its formation in January 2006, Mr. Miller was a private investor and advisor to the global consumer branded marketplace. From October 2002 to March 2006, Mr. Miller served as a senior advisor to Itochu Corporation's executive management in Osaka and Tokyo, Japan. His responsibilities included the origination, structuring and the execution of brand related mergers and acquisitions, licenses, distribution and joint venture agreements in Asia. As a principal investor and while assisting Itochu, Mr. Miller targeted the acquisition of many consumer and lifestyle brands with global awareness and positioning. From 1987 to 1999, Mr. Miller was the co-founder and president of an apparel manufacturing and screen printing business which supplied some of the most notable retail and consumer brands in the world including: Gap, Adidas, Old Navy, Polo Ralph Lauren, Levi Strauss and Company, Armani Exchange, Express, and The Limited. Mr. Miller is an advisory board member and stockholder of Chrome Hearts, Inc. and a board member of Intermix LLC and SkullCandy. Additionally, Mr. Miller is an advisory board member to A Bathing Ape, LeSportsac, and Shabby Chic. Mr. Miller also sits on the board of the Sachdev Group of New Delhi, India which operates and manages global luxury consumer brands in India, which include exclusive retail operations for Marc Jacobs, Lanvin, Stella McCartney, Alexander McQueen, Diane Von Furstenberg, Moschino and others. Mr. Miller continues to advise many well known entrepreneurs, chief executive officers and principal stockholders in the consumer marketplace. Mr. Miller graduated from Clark University with a B.S. in Economics. The Nominating and Corporate Governance Committee and the Board of Directors believes that Mr. Miller's experience as a board member of numerous companies operating in the apparel industry, president of an apparel manufacturing and screen printing business, and as a partner of Goode Partners, combined with the leadership skills and experiences of our other Board members, provides the Company with the perspectives and judgment necessary to guide the Company's strategy and monitor execution.

Allan Mayer became a director of American Apparel upon consummation of the Acquisition on December 12, 2007. Since October 2006, he has been a principal partner, member of the management committee, and head of the Strategic Communications Division of 42West LLC, a leading public relations firm. Previously, from 1997 until October 2006, Mr. Mayer was managing director and head of the entertainment practice at the nationally-known crisis communications firm Sitrick and Company. Mr. Mayer began his professional life as a journalist, working as a staff reporter for *The Wall Street Journal*; a writer, foreign correspondent and senior editor for *Newsweek*, and the founding editor (and later publisher) of *Buzz* magazine. He also served as editorial director of Arbor House Publishing Co. and senior editor of Simon & Schuster. Mr. Mayer has authored two books: *Madam Prime Minister: Margaret Thatcher and Her Rise to Power* (Newsweek Books, 1980) and *Gaston's War* (Presidio Press,

1987) and is co-author, with Michael S. Sitrick, of *Spin: How To Turn The Power of the Press to Your Advantage* (Regnery, 1998). In addition, he has written for a wide variety of national publications, ranging from *The New York Times Magazine* to *Vogue*. Mr. Mayer is a recipient of numerous professional honors, including the National Magazine Award, the Overseas Press Club Citation of Excellence, and six William Allen White Awards. Mr. Mayer serves on the board of directors of Film Independent and lectures regularly on crisis management and communications at UCLA's Anderson School of Business and USC's Annenberg School of Communication. Mr. Mayer received his B.A. from Cornell University. The Nominating and Corporate Governance Committee and the Board of Directors believes that Mr. Mayer's experience as member of management of a leading public relations firm and in a leadership position as managing director of a nationally known crisis communications firm, combined with the leadership skills and experiences of our other Board members, provides the Company with the perspectives and judgment necessary to guide the Company's strategy and monitor execution.

Class B Directors (Terms Expire at the 2012 Annual Meeting of Stockholders)

Adrian Kowalewski became a director of American Apparel upon consummation of the Acquisition (as defined under Corporate Governance and Board Matters below) on December 12, 2007, and is currently Executive Vice President and Chief Financial Officer. From June 2006 to December 2008, Mr. Kowalewski served as the Company's Director of Corporate Finance and Development, where his responsibilities included finance and corporate strategy. From July 2003 to July 2004, he worked for Houlihan Lokey Howard & Zukin, where he participated in financial restructurings, mergers and acquisitions, and private placements. From July 1999 to June 2002, Mr. Kowalewski worked in the Mergers & Acquisitions Group of CIBC World Markets in New York and London, where he was involved in advising public and private companies in North America and Europe on mergers and acquisition transactions. Mr. Kowalewski holds an A.B. with honors from Harvard University, and an M.B.A. from the University of Chicago Graduate School of Business. The Nominating and Corporate Governance Committee and the Board of Directors believes that Mr. Kowalewski's prior experience in investment banking and his experience in financial management, combined with the leadership skills and experiences of our other Board members, provides the Company with the perspectives and judgment necessary to guide the Company's strategy and monitor execution.

Lyndon Lea is a founding partner of Lion Capital LLP, a private equity firm focused on the consumer sector, and is responsible for its management. Prior to founding Lion Capital LLP in 2004, Mr. Lea was a partner of Hicks, Muse, Tate & Furst whose European business he co-founded in 1998. Previously, Mr. Lea served at Glenisla, which was the European affiliate of Kohlberg Kravis Roberts & Co. Prior to that, Mr. Lea was an investment banker with Schrodgers in London and also in the mergers and acquisitions department of Goldman Sachs in New York. Mr. Lea holds a B.A. from the University of Western Ontario, Canada. The Nominating and Corporate Governance Committee and the Board of Directors believes that Mr. Lea's experience in a leadership position as a founding partner of Lion Capital LLP, and his experience as an investor in the consumer sector, combined with the leadership skills and experiences of our other Board members, provides the Company with the perspectives and judgment necessary to guide the Company's strategy and monitor execution.

Neil Richardson is a founding partner of Lion Capital LLP, a private equity firm focused on the consumer sector. Mr. Richardson has been with Lion Capital LLP since its inception in January 2004. Prior to founding Lion Capital LLP, Mr. Richardson was with Kohlberg Kravis Roberts & Co. (KKR) from 1998 to 2003, most recently as a General Partner. From 1994 to 1998, Mr. Richardson was Chairman of Glenisla, the European affiliate of KKR. From 1986 to 1993, Mr. Richardson worked in the investment banking division of Credit Suisse First Boston in London and New York. From 1980 to 1986, Mr. Richardson worked at Bain & Company. Mr. Richardson holds a B.A. and M.A. from Oxford University. Mr. Richardson is the second of the two designees of Lion under the Investment Agreement and the Investment Voting Agreement. The Nominating and Corporate Governance Committee and the Board of Directors believes that Mr. Richardson's experience in a leadership position as a founding partner of Lion Capital LLP, and his experience as an investor in the consumer sector, combined with the leadership skills and experiences of our other Board members, provides the Company with the perspectives and judgment necessary to guide the Company's strategy and monitor execution.

Executive Officers

In addition to our executive officers who are listed as being directors, the Company has the following executive officers:

Thomas Casey joined American Apparel as Acting President effective as of October 1, 2010. Mr. Casey has over 24 years experience in financial management and strategic planning. He served as Executive Vice President and Chief Financial Officer of Blockbuster Inc., a global provider of in-home rental and retail movie and game entertainment (Blockbuster), from September 2007 through August 2010. At Blockbuster, Mr. Casey was responsible for strategic planning, finance and accounting, real estate and international operations. Blockbuster filed for Chapter 11 in September 2010 to recapitalize its balance sheet and reduce its debt substantially. The recapitalization is intended to put Blockbuster in a stronger financial position as it continues to pursue its strategic plan and transform its business model. From 1999 until the commencement of his employment at Blockbuster, Mr. Casey served as Managing Director for Deutsche Bank Securities, Inc. (Deutsche Bank) where he was responsible for the bank's retail industry relationships in North America. Mr. Casey served as advisor to companies undergoing strategic change in the retail entertainment, food and drug, specialty retail, convenience store and foodservice industries. Prior to Deutsche Bank, Mr. Casey held investment banking positions with Citigroup, Merrill Lynch and Dillon Read & Co. Mr. Casey has a Bachelor of Science degree in Ocean Engineering from The U.S. Naval Academy and served as an officer on a nuclear submarine. He also received his MBA from Harvard Business School. Mr. Casey also serves on the board of directors of The Great Atlantic and Pacific Tea Company, Inc.

Martin Bailey has been the Chief Manufacturing Officer of American Apparel since the consummation of the Acquisition on December 12, 2007. Prior to the Acquisition, Mr. Bailey had served as President of Manufacturing of Old American Apparel since 2002, overseeing operations of textile and apparel production and the planning, purchasing, sourcing, product development, quality-assurance and distribution departments, as well as nonrelated support departments. Having been in the apparel industry for over 25 years, Mr. Bailey brings to American Apparel a wealth of industry experience. He has managed manufacturing services and operations for companies such as Fruit of the Loom and Alstyle Apparel and has earned a reputation in the apparel industry for his ability to implement cost-effective programs and streamline and organize production growth. Mr. Bailey graduated from Campbellsville College with a B.S. in Business Administration.

Glenn A. Weinman joined American Apparel as Senior Vice President, General Counsel and Secretary on February 17, 2009. As General Counsel, Mr. Weinman oversees all aspects of American Apparel's legal matters, including business transactions and securities law compliance. Mr. Weinman was previously a partner at Dongell Lawrence Finney LLP, a California-based law firm, which he joined in 2006 and where he headed up the firm's corporate and business transactions practice. From 2005 to 2006, Mr. Weinman was an independent contractor, providing legal and human resources consulting services on various corporate and employment matters. Prior thereto, Mr. Weinman was vice president, general counsel and secretary of Inter-Con Security Systems from 2003 to 2005. In addition to his experience as an attorney in private practice with several major national law firms, Mr. Weinman has also served as general counsel for a number of companies, including Inter-Con Security Systems, Inc., a U.S. based provider of security services internationally, Luminent, Inc., a Nasdaq-listed fiber optic component manufacturer acquired by MRV Communications, and Guess?, Inc., a NYSE-listed international apparel company. At Guess?, Mr. Weinman served as vice president, general counsel and secretary from 1996 to 2000, and managed the legal, human resources, risk management, shareholder relations, and contractor compliance departments. Mr. Weinman was part of the executive team that managed the successful initial public offering of Guess? in 1996. Mr. Weinman obtained his B.A. from the University of California at Los Angeles in 1978, and his J.D. from the University of Southern California Law Center in 1981. He also received a professional designation in human resources management from the University of California at Los Angeles in 2004.

CORPORATE GOVERNANCE AND BOARD MATTERS

Background of American Apparel, Inc.

American Apparel, Inc., a Delaware corporation, was incorporated in Delaware on July 22, 2005 as Endeavor Acquisition Corp. (Endeavor), a blank check company formed to acquire an operating business. On December 21, 2005, Endeavor consummated its initial public offering, and on December 18, 2006 entered into an Agreement and Plan of Reorganization, amended as of November 7, 2007 (as amended, the Acquisition Agreement), with American Apparel, Inc., a California corporation (Old American Apparel), and its affiliated companies. Endeavor 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. Pursuant to the Acquisition, Old American Apparel merged with and into AAI Acquisition LLC, a California limited liability company and a wholly owned subsidiary of Endeavor. AAI Acquisition LLC survived the Acquisition as a wholly owned subsidiary of the Company and changed its name to American Apparel (USA), LLC.

Director Independence

The Board is currently composed of nine directors, five of whom qualify as independent directors as defined under the applicable listing standards of the NYSE Amex (each an Independent Director). Two of the Class C Nominees qualify as an Independent Director and following the reelection of the Class C Nominees, the Board will be composed of nine directors, the following five of whom will qualify as Independent Directors: Messrs. Greene, Mayer, Miller, Samson and Thornton.

In establishing independence, the Board affirmatively determines that each director or nominee does not have a relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. In addition, the Board has determined as provided in the NYSE Amex rules that the following categories of persons would not be considered independent: (1) a director who is, or during the past three years was, employed by the Company, other than prior employment as an interim executive officer (provided the interim employment did not last longer than one year); (2) a director who accepted or has an immediate family member who accepted any compensation from the company in excess of \$120,000 during any period of twelve consecutive months within the three years preceding the determination of independence (unless such compensation falls under exceptions provided for under the NYSE Amex rules); (3) a director who is an immediate family member of an individual who is, or at any time during the past three years was, employed by the Company as an executive officer; (4) a director who is an executive officer, partner or a controlling shareholder, or has an immediate family member who is an executive officer, partner or a controlling shareholder, of an organization to which the Company made, or from which the Company received, payments (other than those arising solely from investments in the Company's securities or payments under non-discretionary charitable contribution matching programs) which, in any of the past three fiscal years, exceeds or exceeded the greater of \$200,000, or 5% of the other organization's consolidated gross revenues; (5) a director who is, or has an immediate family member who is, employed as an executive officer of another entity where at any time during the most recent three fiscal years any of the Company's executive officers serve on the compensation committee of such other entity; and (6) a director who is, or has an immediate family member who is, a current partner of the Company's outside auditor, or was a partner or employee of the Company's outside auditor who worked on the Company's audit at any time during any of the past three years.

Applying these standards, the Board determined that the following directors qualify as Independent Directors: Messrs. Greene, Mayer, Miller, Samson and Thornton. Each of the members of each of the committees of the Board is an Independent Director, and, in the case of members of the Audit Committee (Messrs. Miller, Samson and Thornton, with Mr. Samson as Chairman), each also meets the additional criteria for independence of audit committee members set forth in Rule 10A-3 under the Exchange. For additional information regarding the Audit Committee, see Audit Committee below.

In addition, applying these standards, the Board has also determined that former directors Messrs. Mark D. Klein and Mortimer Singer were independent directors at the time they served prior to the Company's 2009 Annual Meeting of Stockholders held on October 28, 2009 (the 2009 Annual Meeting).

Board Leadership Structure and Role in Risk Oversight

Dov Charney, who serves as both our Chief Executive Officer and Chairman of the Board, leads and provides strategic guidance to the Company's management team, each of whom have experience in the apparel industry. American Apparel's senior officers closely supervise all aspects of the Company's business, in particular the design and production of merchandise, the operation of our stores and our financial reporting function. The Board of Directors has determined that the combination of these roles held singularly by Mr. Charney is in the best interest of all stockholders given that Mr. Charney founded the Company, is considered intimately connected to American Apparel's brand identity and is the principal driving force behind American Apparel's core concepts and designs. The Board believes that it is in the best interests of the Company for the Board to make a determination whether to combine or separate the roles based upon the circumstances. The Board has given careful consideration to separating the roles of Chairman of the Board and Chief Executive Officer and has determined that the Company and its stockholders are best served by the current structure. Mr. Charney's combined role promotes unified leadership and direction for the Board and executive management and allows for a single, clear focus for the Company's operational and strategic efforts.

The combined role of Mr. Charney as both Chairman of the Board and Chief Executive Officer is balanced by the Company's governance structure, policies and controls. Five of the nine members of our Board of Directors qualify as independent directors as defined under the applicable listing standards of the NYSE Amex, and the Audit Committee, the Compensation Committee, and the Nominating and Corporate Governance Committee are each composed entirely of independent directors of the Board. Mark Samson who serves the Chairman of the Audit Committee also acts as the Company's lead independent director. In his capacity as the lead independent director, Mr. Samson is responsible for coordinating the activities of our independent directors; convening at meetings of the Board at which the Chairman of the Board is not present, including executive sessions of the independent directors; facilitating communications between the Chairman of the Board and Chief Executive Officer and other members of the Board; reviewing meeting agendas and schedules, as well as board materials, prior to board meetings; and consulting with the Chairman of the Board to assure that appropriate topics are being discussed with sufficient time allocated for each. The Board of Directors currently believes that this structure is in the best interest of the Company as it allows for a balance of power between the Chief Executive Officer and the independent directors and provides an environment in which its independent directors are fully informed, have significant input into the content of Board meeting agendas, and are able to provide objective and thoughtful oversight of management. The Board will continue to consider from time to time whether the Chairman of the Board and Chief Executive Officer positions should be combined based on what the Board believes is best for the company and its stockholders.

The Board of Directors has overall responsibility for risk oversight. However, the Board established the Enterprise Risk Management Committee in August 2010 which reports back to the full Board. The Enterprise Risk Management Committee is responsible for assisting the Board in its responsibility for (i) the management and oversight of various risks faced by the Company and its subsidiaries and (ii) the assessment, monitoring and control of such risks. Examples of areas of oversight are more fully described below. The Enterprise Risk Management Committee is also responsible for coordinating with the Audit Committee and the Compensation Committee to assure that the risks that those committees monitor are coordinate with the work of the Enterprise Risk Management Committee and integrated into a comprehensive enterprise risk management system, which would include methods for determining enterprise risk appetite/tolerance, instilling risk awareness across the Company and establishing mechanisms for anticipating emerging risks.

Committee Composition

The Board of Directors presently has the following four committees: (1) an Audit Committee, (2) a Compensation Committee, (3) a Nominating and Corporate Governance Committee and (4) an Enterprise Risk Management Committee. Committee membership during the last fiscal year and the functions of each of the committees are described below. Each of the committees operates under a written charter adopted by the Board. All of the Committee charters are available on the Company's website at investors.americanapparel.net.

The Board of Directors held four meetings during fiscal year 2009. The Audit Committee met nine times, the Compensation Committee met two times, and the Nominating and Corporate Governance Committee met two times during fiscal year 2009. Each director attended, in person or telephonically, at least 75% in the aggregate of (i) the total number of meetings of the Board of Directors held during 2009 and (ii) the total number of meetings held by all committees of the Board of Directors on which he served during 2009. In addition, all of our directors attended our 2009 Annual Meeting. American Apparel expects its directors to attend annual meetings of stockholders and all Board meetings and respective committee meetings and to spend the time needed and to meet as frequently as necessary to properly discharge their responsibilities.

Current Directors:

Name of Directors	Audit Committee	Compensation Committee	Nominating and Corporate Governance Committee	Enterprise Risk Management Committee (1)
Independent Directors:				
Robert Greene		X	X	
Allan Mayer		X		X
Keith Miller	X	X*	X	
Mark Samson	X*			X
Mark A. Thornton	X	X	X*	X*

Other Directors:

Dov Charney, Chairman				
Adrian Kowalewski				X
Lyndon Lea				
Neil Richardson				

Directors Prior to the 2009 Annual Meeting:

Name of Directors	Audit Committee	Compensation Committee	Nominating and Corporate Governance Committee
Independent Directors:			
Robert Greene			X
Mark D. Klein		X*	
Allan Mayer			X
Keith Miller			X*
Mark Samson		X	
Mortimer Singer			X
Mark A. Thornton		X	X
Other Directors:			
Dov Charney, Chairman			
Adrian Kowalewski			

X = Committee Member; * = Committee Chair

(1) The Enterprise Risk Management Committee was established by the Board in August 2010.

Audit Committee

The current members of the Audit Committee are Messrs. Miller, Samson and Thornton. The Board has determined that each member of this Committee is an Independent Director, with Mr. Samson as Chairman. The Board has further determined that each of Messrs. Klein, Samson

and Thornton was an Independent Director during the time they served on the Audit Committee prior to the 2009 Annual Meeting.

The Audit Committee's purpose is to provide assistance to the Board in fulfilling its legal and fiduciary obligations with respect to matters involving accounting, auditing, financial reporting, internal control and legal compliance functions of the Company. The Committee oversees the audit efforts of the Company's independent accountants and internal auditors and, in that regard, takes such actions as it may deem necessary to satisfy itself that the Company's auditors are independent of management. It is the objective of the Audit Committee to maintain free and open means of communications among the Board, the independent accountants, the internal auditors and the financial and senior management of the Company.

Among other things, the Audit Committee prepares the Audit Committee report for inclusion in the annual proxy statement; annually reviews the Audit Committee Charter and the Audit Committee's performance; appoints, evaluates and determines the compensation of our independent auditors; reviews and approves the scope of the annual audit, the audit fees and the financial statements; reviews our disclosure controls and procedures, internal controls, information security policies, internal audit function, and corporate policies with respect to financial information and earnings guidance; oversees investigations into complaints concerning financial matters; and reviews other risks that may have a significant impact on the Company's financial statements. The Audit Committee has the authority to obtain advice and assistance from, and receive appropriate funding from the Company for, outside legal, accounting and other advisors as the Audit Committee deems necessary to carry out its duties.

The Audit Committee is a separately-designated standing committee, established in accordance with section 3(a)(58)(A) of the Exchange Act (15 U.S.C. 78(c)(58)(A)). The Audit Committee at all times is required to be composed exclusively of independent directors who are financially literate as defined under NYSE Amex listing standards. NYSE Amex listing standards define financially literate as being able to read and understand fundamental financial statements, including a company's balance sheet, income statement and statement of cash flows. The Audit Committee is currently composed of three financially literate Independent Directors: Messrs. Miller, Samson and Thornton. In addition, Mr. Samson qualifies to serve as the financial expert according to the requirements of SEC Regulation S-K Items 407(d)(5)(ii) and 407(d)(5)(iii).

The report of the current Audit Committee is included in this Proxy Statement. A copy of the current Audit Committee Charter is available on the Company's website at *investors.americanapparel.net*.

Compensation Committee

The current members of the Compensation Committee are Messrs. Greene, Mayer, Miller and Thornton. The Board has determined that each member of this Committee is an Independent Director, with Mr. Miller as Chairman. The Board has further determined that each of Messrs. Greene, Mayer, Miller, Singer and Thornton was an Independent Director during the time they served on the Compensation Committee prior to the 2009 Annual Meeting.

The Compensation Committee is responsible for overseeing the Company's compensation and employee benefit plans and practices, including the executive compensation plans and the incentive-compensation and equity-based plans. The Compensation Committee reviews and approves the general compensation policies of the Company, oversees the administration of all of the Company's compensation and benefit plans, reviews and approves compensation of the executive officers of the Company, prepares the Compensation Committee Report to be filed with the SEC and recommends compensation policies to the Board. For more information, see *Processes and Procedures for Determination of Executive and Director Compensation* below and the current copy of the Compensation Committee Charter, which is available on the Company's website at *investors.americanapparel.net*.

Enterprise Risk Management Committee

The Enterprise Risk Management Committee was established by the Board in August 2010. The current members of the Enterprise Risk Management Committee are Messrs. Kowalewski, Mayer, Samson and Thornton. The Board has determined that each member of this Committee, other than Mr. Kowalewski, is an Independent Director, with Mr. Thornton as Chairman.

The Enterprise Risk Management Committee is responsible for assisting the Board in its responsibility for (i) the management and oversight of various risks faced by the Company and its subsidiaries and (ii) the assessment, monitoring and control of such risks. Examples of areas of oversight may include: financial and liquidity risks; legal aspects of international operations, including fraud, bribery and corruption; risks associated with manufacturing operations, including labor-related and regulatory matters, natural disasters and acts of terrorism; compliance with laws and regulations, including those related to product liability, health and safety, and environmental; appropriate insurance coverage; protection of our intellectual property and security of our data; antitrust and responses to competition; human resource matters, including compliance with employment policies of the Corporation; and public policy, social responsibility and general reputation. A copy of the current Enterprise Risk Management Committee Charter is available on the Company's website at investors.americanapparel.net.

Nominating and Corporate Governance Committee

The current members of the Nominating and Corporate Governance Committee are Messrs. Greene, Mayer and Thornton. The Board has determined that each member of this committee is an Independent Director, with Mr. Thornton as Chairman. The Board has further determined that each of Messrs. Green, Miller and Singer was an Independent Director during the time they served on the Nominating and Corporate Governance Committee prior to the 2009 Annual Meeting.

The Nominating and Corporate Governance Committee assists the Board in identifying and recommending individuals qualified to serve as directors. Subject to Lion's right to designate up to two persons to the Board of Directors pursuant to the Investment Agreement and the agreement of Lion to vote for Mr. Charney, and the agreement of Mr. Charney to vote for the Lion designees, pursuant to the Investment Voting Agreement, consistent with criteria approved by the Board (as described below under "Consideration of Director Nominees"), the Nominating and Corporate Governance Committee will select, or recommend that the Board select, the director nominees required for each subsequent annual meeting of stockholders. The Nominating and Corporate Governance Committee will consider persons identified by its members, management, stockholders and others as nominees.

The guidelines for selecting nominees, which are specified in the Nominating and Corporate Governance Committee's current charter, generally provide that persons to be nominated should be evaluated with respect to their experience, skills, expertise, diversity, personal and professional integrity, character, business judgment, time availability in light of other commitments, dedication, conflicts of interest and such other relevant factors that the Nominating and Corporate Governance Committee considers appropriate in the context of the needs of the Board. Additionally, the guidelines provide that the Nominating and Corporate Governance Committee should consider whether candidates are independent pursuant to NYSE Amex requirements; accomplished in their fields and maintain a reputation, both personal and professional, consistent with the image and reputation of the Company; able to read and understand financial statements; knowledgeable as to the Company and issues affecting it; committed to enhancing stockholder value; able to understand fully the legal responsibilities of a director and the governance processes of a public company; able to develop a good working relationship with other Board members and senior management and able to suggest business opportunities to the Company. The Nominating and Corporate Governance Committee will evaluate each individual in the context of the Board as a whole, with the objective of recommending a group of persons that reflects the appropriate balance of knowledge, experience, skills, expertise and diversity and includes at least the minimum number of independent directors required by the NYSE Amex. The Nominating and Corporate Governance Committee will not distinguish among nominees recommended by stockholders and nominees recommended by other persons.

In addition to the responsibilities described above, the Nominating and Corporate Governance Committee currently develops and recommends to the Board a set of corporate governance principles for the Company; oversees the evaluation of the Company's management and the Board; and makes recommendations to the Board regarding the size and composition of committees of the Board, including identifying individuals qualified to serve as members of a committee. A copy of the current Nominating and Corporate Governance Committee Charter is available on the Company's website at investors.americanapparel.net. For more information, see "Consideration of Director Nominees" below.

Consideration of Director Nominees

Stockholder Nominees

Stockholders of the Company may make recommendations to the Nominating and Corporate Governance Committee of candidates for nomination as directors of the Company or may nominate a person directly for election to the Board, in each case subject to compliance with the procedures described below and further set forth in the charter of the Nominating and Corporate Governance Committee and in the Bylaws, as the case may be.

However, pursuant to the Investment Agreement (described under "Certain Relationships and Related Transactions" herein), Lion currently has the right to designate up to two persons to the Board of Directors and a board observer, subject to maintaining certain minimum ownership thresholds of shares issuable under the Lion Warrant. Pursuant to the Investment Voting Agreement (described under "Certain Relationships and Related Transactions" herein), for so long as Lion has the right to designate any person or persons to the Board of Directors, Mr. Charney has agreed to vote his shares of Common Stock in favor of Lion's designees, subject to maintaining a certain minimum ownership threshold, and Lion has agreed to vote its shares of Common Stock in favor of Mr. Charney, subject to termination upon the occurrence of certain events. As a result of the Investment Agreement and the Investment Voting Agreement, Lion and Mr. Charney can, by voting for their Board nominees as provided in the Investment Agreement and the Investment Voting Agreement, elect the two Lion designees and Mr. Charney, subject to the conditions described above.

Stockholder Recommendations of Nominees. The policy of the Nominating and Corporate Governance Committee is to consider properly submitted stockholder recommendations of candidates for election to the Board as described below under "Identifying and Evaluating Nominees for Directors." The Nominating and Corporate Governance Committee will evaluate a prospective nominee recommended by any stockholder in the same manner and against the same criteria as any other prospective nominee identified by the Nominating and Corporate Governance Committee from any other source.

In evaluating recommendations from stockholders, the Nominating and Corporate Governance Committee will seek to achieve a balance of knowledge, experience and capability on the Board and to address the membership criteria set forth under "Director Qualifications" below.

A stockholder recommendation of a candidate for election to the Board must be in writing and must be received by the Company not later than 30 days after the end of the Company's fiscal year. The recommendation must contain the following information and documentation:

the candidate's name, age, business and current residence addresses, as well as residence addresses for the past 20 years, principal occupation or employment and employment history (name and address of employer and job title) for the past 10 years and educational background;

the candidate's permission for the Company to conduct a background investigation;

the number of shares of Common Stock beneficially owned by the candidate;

the information that would be required to be disclosed about the candidate under the rules of the Exchange Act in a proxy statement soliciting proxies for the election of such candidate as a director; and

a signed consent of the candidate to serve as a director of the Company, if elected.
American Apparel, Inc.

Attention: Nominating and Corporate Governance Committee

747 Warehouse Street

Los Angeles, California 90021

Stockholder Nominations of Directors. A stockholder that instead desires to nominate a person directly for election to the Board at an annual meeting of stockholders must comply with the advance notice procedures of the Bylaws and attend the annual meeting of stockholders to make the necessary motion. Nominations of persons for election to the Board at a meeting of stockholders may be made at such meeting by any stockholder of the Company entitled to vote for the election of directors at the meeting who complies with the notice procedures set forth in the Bylaws and described below.

Such nominations by any stockholder must be made pursuant to timely notice in writing to the Secretary of the Company. To be timely, a stockholder's notice must be delivered to or mailed and received at the principal executive offices of the Company not less than 60 days nor more than 90 days prior to the meeting, however, in the event that less than 70 days notice or prior public disclosure of the date of the meeting is given or made to stockholders, notice by the stockholder, to be timely, must be received no later than the close of business on the tenth day following the day on which such notice of the date of the meeting was mailed or such public disclosure was made, whichever first occurs.

Such stockholder's notice to the Secretary must set forth:

as to each person whom the stockholder proposes to nominate for election or reelection as a director, (a) the name, age, business address and residence address of the person, (b) the principal occupation or employment of the person, (c) the class and number of shares of capital stock of the Company which are beneficially owned by the person, and (d) any other information relating to the person that is required to be disclosed in solicitations for proxies for election of directors pursuant to the rules and regulations of the SEC under Section 14 of the Exchange Act; and

as to the stockholder giving the notice (a) the name and record address of the stockholder and (b) the class and number of shares of capital stock of the Company which are beneficially owned by the stockholder.

The Company may require any proposed nominee to furnish such other information as may reasonably be required by the Company to determine the eligibility of such proposed nominee to serve as a director of the Company. No person nominated by a stockholder will be eligible for election as a director of the Company unless nominated in accordance with the procedures set forth above. The officer of the Company presiding at an annual meeting shall, if the facts warrant, determine and declare to the meeting that a nomination was not made in accordance with the foregoing procedure, and if he or she should so determine, he or she shall so declare to the meeting and the defective nomination shall be disregarded.

Director Qualifications

The Nominating and Corporate Governance Committee has the responsibility to review the background and qualifications of individuals being considered as director candidates, including developing criteria and qualifications for membership on the Board. Among the qualifications considered in the selection of candidates, the Nominating and Corporate Governance Committee shall consider each candidate's experience, skills, expertise, diversity, personal and professional integrity, character, business judgment, time availability in light of other commitments, dedication, conflicts of interest and such other relevant factors that the Nominating and Corporate Governance Committee considers appropriate in the context of the needs of the Board.

Additionally, the Nominating and Corporate Governance Committee considers whether the candidate is:

independent pursuant to NYSE Amex requirements;

accomplished in his or her field and maintained a reputation, both personal and professional, consistent with the image and reputation of the Company;

able to read and understand financial statements (the Nominating and Corporate Governance Committee will also determine if a candidate qualifies as an audit committee financial expert, as defined by the SEC);

knowledgeable as to the Company and issues affecting the Company;

committed to enhancing stockholder value;

able to understand fully the legal responsibilities of a director and the governance processes of a public company;

able to develop a good working relationship with other Board members and senior management; and

able to suggest business opportunities to the Company.

Identifying and Evaluating Nominees for Directors

The Nominating and Corporate Governance Committee annually reviews the composition of the Board and reviews the suitability for continued service as a director of each Board member when his or her term expires and when he or she has a change in status, including but not limited to an employment change, and to recommend whether or not the director should be re-nominated. The Nominating and Corporate Governance Committee also recommends to the Board the nominees for election as directors by the stockholders or appointment by the Board, as the case may be, pursuant to the Bylaws of the Company, which recommendations will be consistent with the criteria for selecting directors established by the Board or the Nominating and Corporate Governance Committee, as the case may be.

Executive Sessions

Executive sessions of non-management directors are expected to be held on a regular basis. Any non-management director can request that an additional executive session be scheduled.

Communications with the Board

You may communicate with the Board by submitting an e-mail to the Board at bod@americanapparel.net. All directors have access to this e-mail address.

Governance Guidelines and Committee Charters

The Company's Governance Guidelines, which satisfy NYSE Amex listing standards for corporate governance guidelines, as well as the charters for each of the committees of the Board, are available at investors.americanapparel.net. Stockholders may request a copy of the Company's Governance Guidelines or the charter of any of the committees of the Board, at no cost, by writing to us at the following address: American Apparel, Inc., Attn: General Counsel, 747 Warehouse Street, Los Angeles, California 90021.

Code of Ethics

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The policies comprising our code of ethics are set forth in the Company's Code of Ethics (the Code of Ethics) (included as Exhibit 14.1 of the Current Report on Form 8-K (File No. 001-32697) filed December 18, 2007). These policies satisfy the SEC's requirements for a code of ethics, and apply to all directors, officers

(including our principal executive officer, principal financial officer and principal accounting officer or controller) and employees. The Code of Ethics is also published on our website at *investors.americanapparel.net*. Stockholders may request a copy of the Code of Ethics, at no cost, by writing to us at the following address: American Apparel, Inc., Attn: General Counsel, 747 Warehouse Street, Los Angeles, California 90021.

Indemnification of Directors

The General Corporation Law of the State of Delaware provides that a company may indemnify its directors and officers as to certain liabilities. The Company's Amended and Restated Certificate of Incorporation and Bylaws provide for the indemnification of its directors and officers to the fullest extent permitted by law, and the Company has entered into separate indemnification agreements with certain directors and officers to effectuate these provisions and has purchased directors' and officers' liability insurance. The effect of such provisions is to indemnify, to the fullest extent permitted by law, the directors and officers of the Company against all costs, expenses and liabilities incurred by them in connection with any action, suit or proceeding in which they are involved by reason of their affiliation with the Company.

The Company has entered into separate indemnification agreements with its directors and certain of its officers. The indemnification agreements provide for the indemnification of and the advancing of expenses to such directors and officers to the fullest extent (whether partial or complete) permitted by law and as set forth in the indemnification agreement, and, to the extent insurance is maintained, for the continued coverage of such directors and officers under the Company's directors' and officers' liability insurance policies. The Company currently maintains directors' and officers' liability insurance.

PROCESSES AND PROCEDURES FOR DETERMINATION OF EXECUTIVE AND DIRECTOR COMPENSATION

The Compensation Committee of the Board of Directors is responsible for overseeing the compensation and employee benefit plans and practices of the Company. The Compensation Committee reviews and approves, either as a committee or together with the other independent directors, the general compensation policies of the Company, oversees the administration of all of the Company's compensation and benefit plans and reviews and approves, either as a committee or together with the other independent directors, compensation of the executive officers of the Company. The Compensation Committee Charter requires that the Compensation Committee consist of no fewer than two Board members who qualify as non-employee directors within the meaning of Rule 16b-3 under the Exchange Act and outside directors within the meaning of Section 162(m) of the Internal Revenue Code of 1986, as amended. At all times since its formation following the Acquisition, the Compensation Committee has consisted of at least three Board members, each of whom the Board has affirmatively determined satisfied these independence requirements.

The Compensation Committee Charter sets forth the purpose of and other matters pertaining to the Compensation Committee. The form of the current Compensation Committee Charter is available on the Company's website at *investors.americanapparel.net*.

Pursuant to its Charter, the Compensation Committee's responsibilities include the following:

review and approve, either as a committee or together with the other independent directors, the corporate goals and objectives relevant to the compensation of the Chief Executive Officer and other executive officers of the Company;

evaluate, either as a committee or together with the other independent directors, the Chief Executive Officer's performance in light of such goals and objectives;

set, either as a committee or together with the other independent directors, executive officers' compensation levels, including base salary, annual incentive opportunities, long-term incentive opportunities and benefits;

review and approve, either as a committee or together with the other independent directors, any employment contracts or related agreements, such as severance or termination arrangements, to be made with any executive officer of the Company;

review and recommend to the Board appropriate director compensation programs and, either as a committee or together with the other independent directors, review and approve perquisites or other personal benefits to directors and recommend any changes to the Board;

review its own performance and assess the adequacy of its Charter;

review and approve the goals and objectives of and the plans underlying the Company's general compensation and other employee benefit programs, including incentive-compensation and equity-based programs;

retain and terminate any compensation consultant used to assist in the evaluation of officer compensation, including to approve the consultant's fees and other retention terms;

review and discuss with management the Company's Compensation Discussion and Analysis to be included in the Company's annual proxy statement; and

produce a report of the Compensation Committee to be included in the Company's annual proxy statement.

Our Chief Executive Officer and Chairman of the Board recommends to the Compensation Committee salary, annual bonus, equity-based awards and long-term compensation levels for other executive officers, including the other Named Officers (as defined under "Compensation Discussion and Analysis" below). Our other executives, including the other Named Officers, do not currently have any role in determining or recommending the form or amount of compensation paid to our Named Officers and our other executives. While the Compensation Committee reviews and makes recommendations regarding compensation paid to the non-employee directors, the compensation for these directors is determined by the Board.

Equity awards to all officers subject to Section 16 of the Exchange Act are made by the Compensation Committee. As indicated above, pursuant to its charter, the Compensation Committee is authorized to retain and terminate any compensation consultant engaged to assist in the evaluation of the compensation of our officers (including all of the Named Officers).

In 2009, the Compensation Committee retained the firm of Pearl Meyer & Partners, LLC ("PM&P") as its compensation consultant to assist in the development and evaluation of compensation policies, practices and awards. Specifically, PM&P was engaged to conduct a competitive review of executive compensation and severance policies, and to assist in developing an annual incentive plan and a long-term equity incentive program to reward and retain key executives and managers.

While PM&P was engaged by and reports directly to the Compensation Committee, PM&P interacts with our management when appropriate to gather perspectives and relevant company and compensation data. In addition, PM&P may seek feedback from the Compensation Committee Chairman, other members of the Compensation Committee or Board, or the Chief Executive Officer and Chairman of the Board regarding its work prior to presenting study results or recommendations to the Compensation Committee.

PM&P has attended or participated in certain Compensation Committee meetings and provided third-party data, advice and expertise on proposed executive compensation levels, programs and plan designs. The Compensation Committee may also ask PM&P to review and provide advice related to proposals prepared by management, including evaluating the consistency of such proposals with the Compensation Committee's compensation philosophy and in comparison to programs at other companies.

COMPENSATION OF DIRECTORS

Compensation for non-employee directors will consist of annual stock grants and Board and Committee meeting fees, as described below. Employees who are also directors will receive no additional compensation for their Board service.

DIRECTOR COMPENSATION FISCAL 2009

During 2009, the sole cash compensation to our non-employee directors consisted of a total of \$76,000 in Board and Committee meeting fees paid to Messrs. Greene, Klein, Mayer, Miller, Samson, Singer and Thornton for their participation in Board, Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee meetings held during 2009. Messrs. Capps and Richardson agreed to forgo receipt of meeting fees.

Pursuant to the 2007 Performance Equity Plan approved by stockholders in conjunction with the Acquisition, our non-employee directors each received a stock grant (of fully vested shares) as described below for their Board service, and automatically will receive a stock grant for each year of service thereafter, such grant to be made at the beginning of each such year of service, equal to that number of shares of our Common Stock having an aggregate market value of \$75,000 at the time of grant.

On January 12, 2009, the Company issued an annual grant to each non-employee director of 35,211 shares of common stock, based upon the closing price per share of \$2.13, in connection with their Board service. On January 19, 2010, the Company issued an annual grant to each independent non-employee director of 21,739 shares of common stock, based upon the closing price per share of \$3.45, in connection with their Board service. Messrs. Capps and Richardson agreed to forgo receipt of annual grants of our Common Stock having an aggregate market value of \$75,000 at the time of grant.

The table below summarizes the compensation provided by the Company to non-employee directors for the fiscal year ended December 31, 2009:

Name	Fees Earned or Paid in Cash (\$)	Stock Awards (\$ (1))	Option Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	Change in Pension Value and Nonqualified Delivered Compensation Earnings (\$)	All Other Compensation (\$ (4))	Total (\$)
<i>Independent Non-Employee Directors</i>							
Jacob Capps (1)(3)							
Robert Greene	9,000	75,000					84,000
Mark D. Klein (2)	13,000	75,000					88,000
Allan Mayer	8,000	75,000					83,000
Keith Miller	17,000	75,000					92,000
Neil Richardson (3)							
Mark Samson	17,000	75,000					92,000
Mortimer Singer (2)	7,000	75,000					82,000
Mark A. Thornton	18,000	75,000					93,000
<i>All Non-Employee Directors</i>	89,000	525,000					614,000

- (1) Resigned as a member of the Board on May 12, 2010. The Board appointed Mr. Lea to fill the vacancy, effective upon Mr. Capps resignation from the Board.

- (2) Did not stand for reelection at the 2009 Annual Meeting of Stockholders held on October 28, 2009.
- (3) Elected at the 2009 Annual Meeting of Stockholders held on October 28, 2009.
- (4) Represents the aggregate grant date fair value, computed in accordance with Accounting Standards Codification (ASC) 718, of stock awards granted in fiscal 2009. Assumptions used in the calculation of these amounts are further described in Note 17 to the Company s audited consolidated financial statements for the fiscal year ended December 31, 2009, included in the Annual Report. The aggregate grant date fair value for the stock award is \$525,000, computed in accordance with ASC 718.

Annual Stock Awards and Meeting Fees

The following table sets forth the schedule of annual stock grants and meeting fees for non-employee directors in effect during 2009:

Type of Fee	Dollar Amount
Value of Annual Stock Grant	\$ 75,000
Attendance Fee per Committee Meeting Attended	\$ 1,000
Attendance Fee per Board Meeting Attended	\$ 1,000

Each non-employee director (except Messrs. Capps and Richardson) received \$1,000 for each Board and each Committee meeting attended and are also reimbursed for out-of-pocket expenses including travel expenses that they incur serving as directors.

COMPENSATION DISCUSSION AND ANALYSIS

This section contains a discussion of the material elements of compensation awarded to, earned by or paid to the principal executive officer and principal financial officer of the Company and our three other most highly compensated individuals who were serving as executive officers as of December 31, 2009.

During 2009, Dov Charney served as the Company s Chairman of the Board, President and Chief Executive Officer, and Adrian Kowalewski served as the Company s Executive Vice President and Chief Financial Officer. Our three other most highly compensated individuals were Martin Bailey, Glenn A. Weinman and Joyce Crucillo. These individuals are referred to as the Named Officers herein.

The Company s current executive compensation programs are determined and approved by the Compensation Committee of the Board. None of the Named Officers are members of the Compensation Committee. Our Chief Executive Officer and Chairman of the Board recommend to the Compensation Committee salary, cash incentive awards, equity-based awards and long-term compensation levels for executive officers, including the other Named Officers other than himself. Our other executive officers, including the other Named Officers, do not currently have any role in determining or recommending the form or amount of compensation paid to our Named Officers and our other executive officers, but our Chief Financial Officer provides the Compensation Committee with documents used in their determination of executive compensation.

Executive Compensation Program Objectives and Overview

It is the Company s intent that its executive compensation programs achieve three fundamental objectives: (1) attract, motivate and retain qualified executive officers; (2) hold executives accountable for performance; and (3) align executive officers interests with the interests of our stockholders. In structuring the Company s executive compensation programs, we intend to be guided by the following basic philosophies:

Competition. The Company should provide competitive compensation opportunities so that it can attract, motivate and retain qualified executive officers.

Pay for Performance. A substantial portion of compensation should be tied to Company (and/or particular department or segment) and individual performance.

Alignment with Stockholder Interests. A substantial portion of compensation should be contingent on the Company's performance. As an executive officer's level of responsibility increases, a greater portion of the officer's total compensation should be dependent on the Company's performance.

As described in more detail below, the material elements of our executive compensation program will generally include, at the discretion of the Compensation Committee, some or a mix of the following: a base salary, an annual cash incentive bonus opportunity, and a performance equity plan component. We believe that these elements of our executive compensation program will help us to achieve one or more of our compensation objectives. The executive compensation program is intended to attract, motivate and retain qualified executive officers. The base salary is the element of our current executive compensation program where the value of the benefit in any given year is generally not variable. We anticipate that any bonus awarded in any given year will depend on the performance of the individual and the performance of the Company. We believe that in order to attract, motivate and retain top-caliber executive officers, we need to provide executive officers with predictable benefit amounts that reward the executive officer's continued service. The base salaries are paid out on a short-term or current basis. Any bonuses would generally be paid out on a short-term basis, such as at year end or upon completion of significant projects. Performance equity awards would generally be made on a longer-term basis. We believe that a mix of longer-term and short-term elements will allow us to achieve our dual goals of attracting and retaining executive officers (with the longer-term benefits geared toward retention and the short-term awards focused on recruitment).

Our cash incentive bonus opportunity would be primarily intended to hold executive officers accountable for performance, although we also believe it would align our executive officers' interests with those of our stockholders and help us attract, motivate and retain executive officers. Our performance equity incentives would also be primarily intended to align our executive officers' interests with those of our stockholders, although we believe they would help hold executive officers accountable for performance and help us motivate and retain executive officers.

These compensation elements are intended to create a total compensation package for each executive officer that we believe will achieve our compensation objectives and provide competitive compensation opportunities.

The Company has employment agreements with Dov Charney, Chairman of the Board, Chief Executive Officer and President, Glenn A. Weinman, Senior Vice President, General Counsel and Secretary, and Joyce Crucillo, Chief Litigation Counsel. On March 11, 2009, Joyce Crucillo, American Apparel (USA), LLC (as successor to Old American Apparel) and the Company entered into an amendment to her employment agreement to, effective as of February 17, 2009, (i) reflect the change in her title to Chief Litigation Counsel, and (ii) provide that if Ms. Crucillo is laid off, terminated (irrespective of whether such termination is with or without cause) or otherwise dismissed by the Company, then the Company will pay to her, as a severance payment, six months of her then current total annual compensation, which includes her annual base salary and annual guaranteed bonuses (regardless of whether any portion thereof has accrued or vested), plus continued health insurance benefits identical to what she was receiving at the time of separation for a period of six months after she leaves the Company. In addition, the amendment provided for the assignment by American Apparel (USA), LLC of its rights, duties and obligations under the employment agreement as employer to the Company, such that Ms. Crucillo is now employed directly by the Company instead of its subsidiary American Apparel (USA), LLC. For a more complete description of current employment agreements with Mr. Charney, Mr. Weinman and Ms. Crucillo, see Description of Employment Agreements below.

Current Executive Compensation Program Elements

Base Salaries

The Compensation Committee reviews and approves base salaries for executive officers, including Named Officers, annually and in connection with promotions or other changes in responsibilities. The Compensation Committee generally reviews the base salaries for each executive officer in the first quarter of each year to set salaries, and intends to consider market data, individual compensation history, pay in relation to other executive officers at the Company, tax deductibility, individual job performance and future potential, as well as evaluations and recommendations by senior management in determining base salary. The weight given to each of these factors may differ from individual to individual, as the Compensation Committee deems appropriate.

Annual Bonus Awards

During 2009, the Board of Directors and stockholders of the Company approved the American Apparel, Inc. Incentive Compensation Plan (as amended from time to time, the Incentive Plan), under which certain cash awards are intended to qualify as performance-based compensation under Section 162(m). The Board of Directors believes that adoption of the Incentive Plan will provide the Compensation Committee with the tools necessary to meet the Company's objectives of attracting, motivating and retaining qualified employees and of tying a portion of compensation to Company performance. As such, a portion of compensation for executive officers may be based on the financial performance of the Company, as determined at the discretion of the Compensation Committee.

The payment of cash bonus awards to Mr. Charney was made under the Incentive Plan.

With respect to the performance period beginning on May 1, 2009 and ending on December 31, 2009 (the Performance Period), the Company's Board of Directors approved targets for Mr. Charney's bonus on June 22, 2009. The amount of the performance bonus was subject to the attainment by the Company of certain performance goals as follows: 50% based upon adjusted earnings before interest, taxes, depreciation and amortization (Adjusted EBITDA), 25% based upon comparable store sales and 25% based upon achievement of certain inventory levels during the Performance Period. Mr. Charney's total \$1,124,401 performance bonus was comprised of the following: \$650,000 based on the Company's achievement of an Adjusted EBITDA of \$47,946,836, \$0 based on the results of comparable store sales and \$474,401 based on the Company's achievement of inventory levels of \$156,614,556. Comparable store sales for this period were negative 11.4%. Other than the bonus payment that will be paid to Mr. Charney as described above and bonus payments that were paid to Ms. Crucillo pursuant to her employment agreement, as discussed below in Description of Employment Agreements, there were no annual or other bonuses awarded to Named Officers for the year ended December 31, 2009.

Long-Term Equity Incentive Awards

The Compensation Committee has the authority to grant stock options, restricted stock and other awards under the Company's 2007 Performance Equity Plan to executive officers. No equity awards were granted in 2009 to any of the Named Officers.

Severance and Other Benefits Upon Termination of Employment

In order to support our compensation objective of attracting, retaining and motivating qualified executive officers, we believe that, in certain cases, we may decide to provide executive officers with severance protections upon certain types of termination. These severance protections would be negotiated on an individual by individual basis. American Apparel has not entered into any change in control agreements or other severance arrangements with any of its executive officers other than with Dov Charney, Glenn Weinman and Joyce Crucillo. On March 11, 2009, Joyce Crucillo, American Apparel (USA), LLC (as successor to Old American

Apparel) and the Company entered into an amendment to her employment agreement to, effective as of February 17, 2009, (i) reflect the change in her title to Chief Litigation Counsel, and (ii) provide that if Ms. Crucillo is laid off, terminated (irrespective of whether such termination is with or without cause) or otherwise dismissed by the Company, then the Company will pay to her, as a severance payment, six months of her then current total annual compensation, which includes her annual base salary and annual guaranteed bonuses (regardless of whether any portion thereof has accrued or vested), plus continued health insurance benefits identical to what she was receiving at the time of separation for a period of six months after she leaves the Company.

In addition, the amendment provided for the assignment by American Apparel (USA), LLC of its rights, duties and obligations under the employment agreement as employer to the Company, such that Ms. Crucillo is now employed directly by the Company instead of its subsidiary American Apparel (USA), LLC. For a more complete description of current employment agreements with Mr. Charney, Mr. Weinman and Ms. Crucillo, see [Description of Employment Agreements](#) below.

Option Grant Practices and Policies

It is intended to be the practice of the Compensation Committee to grant stock options under the 2007 Performance Equity Plan with an exercise price equal to or greater than the closing price of the Company's Common Stock on the date of grant.

Section 162(m) Policy

Section 162(m) of the Internal Revenue Code disallows a tax deduction to publicly-held companies for compensation paid to certain executive officers, to the extent that compensation exceeds \$1 million per officer in any year. The limitation applies only to compensation which is not considered to be performance-based. The Compensation Committee intends to consider the anticipated tax treatment to the Company and our executive officers when reviewing executive compensation and our compensation programs.

While the tax impact of any compensation arrangement is one factor to be considered, such impact is evaluated in light of the Compensation Committee's overall compensation philosophy. The Compensation Committee will consider ways to maximize the deductibility of executive compensation, while retaining the discretion it deems necessary to compensate officers in a manner commensurate with performance and the competitive environment for executive talent. From time to time, the Compensation Committee may award compensation to our executive officers which is not fully deductible, if it determines that such award is consistent with its philosophy and is in our and our stockholders' best interests.

The Compensation Committee considers, in establishing and reviewing our executive compensation program, whether the program encourages unnecessary or excessive risk taking and has concluded that it does not. Base salaries are fixed in amount and thus do not encourage risk taking. While our annual bonus plan focuses on achievement of short-term or annual goals, and short-term goals may encourage the taking of short-term risks at the expense of long-term results, executives' annual bonuses are determined using multiple performance criteria and are subject to reduction by the Compensation Committee based on the executive's individual performance. The Compensation Committee believes that the annual bonus plan appropriately balances risk and the desire to focus executives on specific short-term goals important to the Company's success, and that it does not encourage unnecessary or excessive risk taking. The Compensation Committee believes that our current executive compensation program provides an appropriate balance between the goals of increasing the price of our common stock and avoiding risks that could threaten our growth and stability. In addition, it is intended to be the practice of the Compensation Committee to grant executive officers a mixture of stock options and restricted stock as described above. The Compensation Committee believes that such awards would not encourage unnecessary or excessive risk taking since the ultimate value of the awards would be tied to the Company's stock price, and since grants are subject to long-term vesting schedules to help ensure that executives always have significant value tied to long-term stock price performance.

COMPENSATION COMMITTEE REPORT ON EXECUTIVE COMPENSATION

The Compensation Committee has certain duties and powers as described in its Charter. The Compensation Committee is currently composed of the four non-employee directors named at the end of this Compensation Committee Report, each of whom is independent as defined by NYSE Amex listing standards.

The Compensation Committee of the Company has reviewed and discussed with management the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K of the Exchange Act and, based on such review and discussions, the Compensation Committee has recommended to our Board of Directors that the Compensation Discussion and Analysis section be included in this Proxy Statement for the 2010 Annual Meeting, as filed with the SEC.

By the Compensation Committee,

Keith Miller, Chairman
Robert Greene
Allan Mayer
Mark A. Thornton

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

From January 1, 2009 to October 27, 2009, Robert Greene, Allan Mayer, Keith Miller, Mortimer Singer and Mark A. Thornton served as members of the Compensation Committee. From October 28, 2009 through December 31, 2009, Keith Miller, Robert Greene, Allan Mayer and Mark A. Thornton served as members of the Compensation Committee. During 2009, no current member of the Compensation Committee was an officer or employee of the Company, formerly an officer of the Company or had any relationships requiring disclosure by the Company under the SEC's rules requiring disclosure of certain relationships and related-party transactions. None of the Company's executive officers served as a director or a member of a compensation committee (or other committee serving an equivalent function) of any other entity whose executive officers served as a director or member of the Company's Compensation Committee during the year ended December 31, 2009.

SUMMARY COMPENSATION TABLE

The following table presents information regarding compensation of our Named Officers for services rendered during 2009, 2008 and 2007.

Name and Principal Position (a)	Year (b)	Salary (\$) (c)	Bonus (\$) (1) (d)	Stock Awards (\$) (e)	Option Awards (\$) (f)	Non-Equity Incentive Plan Compensation Earnings (g)	Change in Pension Value and Non- Qualified Deferred Compensation Earnings (h)	All Other Compensation (i)	Total (j)
Dov Charney, Chairman of the Board, President and Chief Executive Officer	2009	750,000				1,124,401(3)			(4) 1,874,401
	2008	750,000	250,000(2)						(4) 1,000,000
	2007	8,304,388(5)		(5)				7,874,557(6)	16,178,945
Adrian Kowalewski, Executive Vice President and Chief Financial Officer	2009	246,250(7)							246,250
	2008	197,308							197,308
Martin Bailey, Chief Manufacturing Officer	2009	300,000(8)						49,094(9)	349,094
	2008	278,846						63,509(9)	342,355
Glenn A. Weinman, Senior Vice President, General Counsel and Secretary	2009	252,692(10)							252,692
	2008								
Joyce Crucillo, Chief Litigation Counsel	2009	225,000(11)							(4) 225,000
	2008	225,000(11)							(4) 225,000
	2007	225,000(11)							(4) 225,000

- (1) Includes bonuses earned in the year indicated, regardless of when paid.
- (2) As described in more detail under Compensation Discussion and Analysis above, the Compensation Committee approved a bonus for Mr. Charney for his service for the year ended December 31, 2008, in an amount equal to \$250,000.
- (3) As described in more detail under Compensation Discussion and Analysis above, the Compensation Committee approved a bonus for Mr. Charney for his service for the year ended December 31, 2009, in an amount equal to \$1,124,401.
- (4) Amounts of perquisites and other personal benefits are less than \$10,000 and accordingly are omitted.
- (5) Mr. Charney did not receive any salary or bonus from American Apparel prior to the Acquisition. As a stockholder of Old American Apparel, and as a result of the S Corporation status of the company, Mr. Charney was allocated income based on the net profits of Old American Apparel and, from time to time, received distributions of the profits, which are included in the Salary amounts here. During 2007, Mr. Charney received distributions from Old American Apparel on his allocable income amounting to \$2,963,021. For Mr. Charney, amounts presented also include salary of \$39,041 for the period from December 12, 2007, the date of the consummation of the Acquisition, through December 31, 2007 pursuant to his employment agreement with the Company, described in more detail under Description of Employment Agreements below, and management fees earned under an arrangement with Old American Apparel's Canadian subsidiaries amounting to \$5,302,326 for 2007. Such fees ceased as of December 12, 2007, the date of consummation of the Acquisition.
- (6) All other compensation includes payments of \$7,857,318 in 2007 for reimbursement of personal tax liabilities provided for in the Acquisition Agreement, and personal benefits provided by Old American Apparel and the Company, including payment of the executive officer's share of the company's health insurance premium and \$15,000 in life insurance premiums paid on policies held jointly by the Company and Mr. Charney. The face value of these policies is \$1.5 million.
- (7) In December 2008, Mr. Kowalewski was appointed Executive Vice President and Chief Financial Officer. In 2009, Mr. Kowalewski received an increase to his base salary, resulting in a salary of \$285,000 per year.
- (8) During December 2008, Mr. Bailey received an increase to his base salary, resulting in a salary of \$300,000 per year.
- (9) Personal benefits include payment of the executive officer's share of the Company's health insurance premium, a vehicle allowance and \$24,000 in life insurance premiums paid on policies held by Mr. Bailey. The face value of these policies is \$2.0 million.
- (10) Mr. Weinman joined American Apparel in February 2009. During 2010, Mr. Weinman received an increase to his base salary, resulting in a base salary of \$345,000 per year.
- (11) Ms. Crucillo's salary of \$225,000 consists of a base salary of \$150,000 and a guaranteed bonus of \$75,000 per year.

Compensation of Named Officers

The Summary Compensation Table above quantifies the value of the different forms of compensation earned by or awarded to our Named Officers in 2009, 2008 and 2007. The primary elements of each Named Officer's total compensation reported in the table are base salary, bonuses, and the other benefits listed in Column (i) of the Summary Compensation Table, as further described in the footnotes to the table identified therein.

The Summary Compensation Table should be read in conjunction with the narrative descriptions that follow. A description of the material terms of the employment agreements currently in force with respect to Named Officers is provided immediately following this paragraph.

Description of Employment Agreements

The following are descriptions of the terms of the employment agreements with Dov Charney, Glenn A. Weinman and Joyce Crucillo, our only Named Officers with employment agreements.

Dov Charney, Chairman of the Board, Chief Executive Officer, and President

The Company and Dov Charney are parties to an employment agreement dated December 12, 2007, pursuant to which Mr. Charney will serve as the Company's Chief Executive Officer and President for an initial three-year term, commencing on December 12, 2007, which term will automatically extend for successive one-year periods unless either party provides written notice of non-renewal at least 90 days prior to such renewal date. His employment agreement provides that Mr. Charney will receive a base salary of \$750,000 per year, subject to increase based on the annual review of the Board of Directors, and also will be entitled to receive, subject to certain conditions, a target annual bonus of 150% of his base salary and a long-term bonus over the initial three-year term of the employment agreement of up to 300% of his base salary upon the Company's attainment of performance objectives to be determined by the Board or the Compensation Committee. His employment agreement also provides that Mr. Charney will be eligible to participate in the Company's employee benefit plans as they may exist from time to time (including, without limitation, those plans covering pension and profit sharing, executive bonuses, stock purchases, stock options, life, health and dental insurance, vacation benefits and reimbursement of reasonable and necessary business expenses). See Potential for Payments Upon Termination or Change of Control for additional information regarding Mr. Charney's employment agreement.

Glenn A. Weinman, Senior Vice President, General Counsel and Secretary

In February 2009, Glenn A. Weinman joined the Company as Senior Vice President, General Counsel and Secretary. In connection with Mr. Weinman's appointment as Senior Vice President, General Counsel and Secretary, the Company and Mr. Weinman entered into an employment agreement, pursuant to which Mr. Weinman will serve as the Company's General Counsel and Secretary for an initial two-year term, commencing on February 17, 2009, which term will automatically extend for successive one-year periods unless terminated by the Company on at least 90 days written notice prior to the expiration of the then-current term. His employment agreement provides that Mr. Weinman will receive a minimum base salary of \$300,000 per year, subject to increase based on the annual review of the Compensation Committee, and an opportunity to earn performance bonuses as may be determined by the Board of Directors. During 2010, Mr. Weinman received an increase to his base salary, resulting in a base salary of \$345,000 per year. His employment agreement also provides that Mr. Weinman will be eligible for stock and stock option grants under the Company's 2007 Performance Equity Plan, as may determined by the Compensation Committee, and will participate in the benefit plans that the Company maintains for its executive officers and receive certain other standard benefits (including, without limitation, vacation benefits and reimbursement of travel and business-related expenses, dues and fees). See Potential for Payments upon Termination or Change of Control for additional information regarding Mr. Weinman's employment agreement.

Joyce Crucillo, Chief Litigation Counsel

The Company and Joyce Crucillo are parties to an employment agreement, dated October 26, 2006, as amended as of March 11, 2009, pursuant to which Ms. Crucillo will serve as the Company's Chief Litigation Counsel. The initial term of her agreement ended on November 30, 2007, but renewed automatically for successive one-year terms, and will renew automatically unless either party provides written notice of non-renewal at least 90 days prior to such renewal date. Her employment agreement provides that Ms. Crucillo will receive a base salary of \$225,000 per year, of which \$75,000 is a guaranteed bonus that is payable semi-annually in two equal installments and accrues and vests for each day that Ms. Crucillo remains employed with the Company. Her employment agreement also provides that Ms. Crucillo will be eligible for benefits including, without limitation, health, accident, disability, medical, pension, bonus, stock, profit-sharing, savings plans and similar benefits generally available to the Company's employees. See *Potential for Payments upon Termination or Change of Control* for additional information regarding Ms. Crucillo's employment agreement.

GRANTS OF PLAN-BASED AWARDS TABLE

The following table presents information regarding grants of plan-based awards for our Named Officers for services rendered during 2009.

Name	Estimated Future Payouts Under Non-Equity Incentive Plan Awards (1)		
	Threshold	Target	Maximum
	(\$)	(\$)	(\$)
Dov Charney	203,125	1,625,000	2,375,000
Adrian Kowalewski			
Martin Bailey			
Glenn A. Weinman			
Joyce Crucillo			

- (1) For a further discussion on how the Compensation Committee determines the criteria for the Company's executive officers' performance bonuses, please see *Compensation Discussion and Analysis Executive Compensation Program Objectives and Overview* above. For a description of each named executive officer's performance objectives, please see *Compensation Discussion and Analysis Current Executive Compensation Program Elements Annual Bonus Awards* above.

Potential Payments Upon Termination or Change of Control

In the discussion that follows, payments and other benefits payable upon early termination are set out as if the terminations took place on December 31, 2009. In setting out such payments and benefits, amounts that had already been earned as of the termination date are not shown. Also, benefits that are available to all full-time regular employees when their employment terminates are not shown. The amounts set forth below are estimates of the amounts which could be paid out to the Named Officers upon their termination. The actual amounts to be paid out can only be determined at the time of such Named Officer's separation from the Company.

The following are descriptions of potential payments upon termination or change of control with respect to the employment agreements with Dov Charney and Joyce Crucillo, our only Named Officers with employment agreements, and Glenn A. Weinman.

Dov Charney, Chairman of the Board, Chief Executive Officer and President

Mr. Charney's employment agreement provides that in the event that his employment is terminated (i) by the Company without cause or (ii) by Mr. Charney for good reason, Mr. Charney will be entitled to the following: (1) a pro rata portion of his annual and long term performance bonuses for the year in which he is

terminated as if 100% of the performance targets were met, (2) a payment equal to the greater of (x) annual base salary for the remainder of his employment contract or (y) two times the sum of his annual base salary and maximum annual performance bonus, (3) immediate vesting of all equity awards granted to him by the Company and (4) all lock-up restrictions on all of Mr. Charney's stock in the Company will immediately lapse.

In the event of a change in control, if any payments or benefits due to Mr. Charney in connection with the change in control, including payments as a result of termination of his employment, will be subject to excise taxes as defined in his employment agreement, Mr. Charney will be entitled to a tax gross-up for all effects of the excise taxes. If a change in control had occurred as of December 31, 2009, and Mr. Charney had received the termination lump sum payments described above, he would have been entitled to a tax gross-up payment of up to approximately \$1.3 million. This calculation is dependent on prior compensation as defined under applicable sections of the Internal Revenue Code.

Upon termination of Mr. Charney's employment by the Company with cause or due to Mr. Charney's permanent incapacity or death, the Company will pay Mr. Charney any unreimbursed expenses then owed by the Company to Mr. Charney and all accrued but unpaid wages. Mr. Charney will not be entitled to any other consideration or compensation.

Had Mr. Charney separated from the Company as of December 31, 2009, as a result of termination without cause or for good reason, he would have been entitled to a payment amounting to \$3,875,000 (of which \$2,375,000 is attributable to bonuses and \$1,500,000 is attributable to salary).

Glenn A. Weinman, Senior Vice President, General Counsel and Secretary

Mr. Weinman's employment agreement provides that if Mr. Weinman is terminated without cause or if he resigns for good reason, the Company will pay Mr. Weinman the following: (a) his base salary accrued through the date of such resignation or termination and continuing for a period of one year after the date of such resignation or termination (the Continuation Period); (b) any bonus earned but not yet paid in respect of any calendar year preceding the year in which such termination or resignation occurs; (c) a bonus for the calendar year in which such termination or resignation occurs equal to his target annual performance bonus, if any, for such year and each subsequent calendar year included in whole or in part within the Continuation Period (prorated in the case of any partial calendar year based on the number of days included in such Continuation Period); and (d) any unreimbursed expenses and all stock and stock option grants awarded to Mr. Weinman by the Company also will become vested and exercisable. In addition, in such case, Mr. Weinman will be entitled to receive, until the earlier of the last day of the Continuation Period and the date Mr. Weinman is entitled to comparable benefits by a subsequent employer, continued participation in the Company's medical, dental and insurance plans and arrangements.

If Mr. Weinman's employment terminates by reason of his death or disability, or if he is terminated for cause or if he resigns without good reason, the Company will pay him (a) his base salary accrued through the date of such resignation or termination; (b) any bonus earned but not yet paid in respect of any calendar year preceding the year in which such termination of employment occurs; (c) only in the case of a termination because of his death or disability, a prorated amount of his target annual performance bonus for the calendar year in which such termination of employment occurs; and (d) any unreimbursed expenses. If Mr. Weinman's employment terminates by reason of his death, in lieu of the payment schedule described above, his beneficiary or estate may elect to receive a single lump sum payment equal to the present value of all such payments.

Had Mr. Weinman separated from the Company as of December 31, 2009, as a result of termination without cause or for good reason, he would have been entitled to a payment amounting to \$300,000 plus health insurance benefits, of \$2,200 per month, for a period of 12 months after he leaves the Company, or until comparable benefits are obtained from a new employer.

Joyce Crucillo, Chief Litigation Counsel

Ms. Crucillo's employment agreement provides that, effective February 17, 2009, if Ms. Crucillo is laid off, terminated (irrespective of whether such termination is with or without cause) or otherwise dismissed by the Company, then the Company will pay to her, as a severance payment, six months of her then current total annual compensation, which includes her annual base salary and annual guaranteed bonuses (regardless of whether any portion thereof has accrued or vested), plus continued health insurance benefits of \$2,180 per month, identical to what she was receiving at the time of separation for a period of six months after she leaves the Company.

Had Ms. Crucillo been laid off, terminated (irrespective of whether such termination is with or without cause) or otherwise dismissed by the Company as of December 31, 2009, she would have been entitled to receive total payments of \$112,500, representing six months of regular compensation (including bonus).

Stock Options and Other Equity Awards

The Company's Named Officers did not participate in, or otherwise receive, any stock options or other equity-based awards in 2009 and no Named Officer had any outstanding stock options or other equity-based awards as of the year ended December 31, 2009.

Pension Benefits and Nonqualified Defined Contribution Plans

The Company's Named Officers did not participate in, or otherwise receive any benefits under, any pension or non-qualified defined contribution plans sponsored by the Company during 2009 or any other prior years.

BENEFICIAL OWNERSHIP OF SHARES

The following table sets forth certain information available to the Company as of October 14, 2010, with respect to shares of Common Stock held by (i) each director, including the three Class C Nominees, (ii) each stockholder who is known to the Company to be the beneficial owner of more than 5% of our issued and outstanding Common Stock based on statements filed with the SEC pursuant to Section 13(d) or 13(g) of the Exchange Act, (iii) our Named Officers (as defined under Compensation Discussion and Analysis above) and (iv) all of our current directors and executive officers as a group.

Name of Beneficial Owner (1)	Beneficial Ownership of Common Stock	
	Number	Percent of Class
Dov Charney (2)	38,113,065	53.3%
Lion/Hollywood LLC (3)	16,000,000	18.3%
c/o Lion Capital (Americas) Inc.		
888 Seventh Avenue		
New York, New York 10019		
Ronald W. Burkle (4)	4,310,300	6.0%
c/o The Yucaipa Companies LLC		
9130 W. Sunset Boulevard		
Los Angeles, California 90069		
Martin Bailey		*
Jacob Capps (5)		*
Joyce Crucillo		*
Robert Greene (6)	63,758	*
Adrian Kowalewski		*
Lyndon Lea (7)	16,000,000	18.3%
Allan Mayer (6)(8)	62,758	*
Keith Miller (6)	61,758	*
Neil Richardson (9)	16,000,000	18.3%
Mark Samson (6)	61,758	*
Mark A. Thornton (6)(10)	58,758	*
Glenn A. Weinman		*
All directors and executive officers as a group (11 persons) (11)	54,421,855	62.2%

* Less than 1.0%

- (1) This table is based upon 71,447,445 shares of Common Stock outstanding as of October 14, 2010 and upon information supplied by officers, directors, principal stockholders and the Company's transfer agent, and contained in schedules filed with the SEC pursuant to Section 13(d) or 13(g) of the Exchange Act. Except as described in the footnotes below and subject to applicable community property laws and similar laws, the Company believes that each person listed above has sole voting and investment power with respect to such shares. Unless otherwise indicated, the business address of each of the directors and executive officers in this table is c/o American Apparel, Inc., 747 Warehouse Street, Los Angeles, California 90021.
- (2) A total of 37,258,065 of these shares are subject to a lock-up agreement and cannot be sold, subject to certain exceptions, without the Company's consent, until the expiration of the restricted period under the lock-up agreement (as extended by a separate agreement entered into in March 2009) in December 2013 (which period may be shortened to December 2010 upon the occurrence of certain events). See Certain Relationships and Related Transactions below for further description of the lock-up agreement.
- (3) Pursuant to Rule 13d-3 under the Exchange Act, Lion may be deemed to beneficially own 16,000,000 shares of Common Stock, which are subject to issuance upon exercise of the Lion Warrant (which is exercisable by Lion at any time during its term). See

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Certain Relationships and Related Transactions below for further description of the Lion Warrant. The information provided is based on a Schedule 13D filed by Lion with the SEC on March 23, 2009.

- (4) Ronald W. Burkle acquired beneficial ownership of 3,360,000 shares on June 10, 2010, 587,300 shares on June 14, 2010, 260,000 shares on June 15, 2010 and 103,000 shares on June 21, 2010. The information provided is based on Schedule 13D filed by Mr. Burkle with the SEC on June 24, 2010.
- (5) On May 12, 2010, Jacob Capps resigned as a member of the Board, and the Board appointed Lyndon Lea to fill the vacancy, effective upon Mr. Capps' resignation from the Board.
- (6) Includes 4,808 shares granted to each independent non-employee director on April 17, 2008, 35,211 shares granted to each independent non-employee director on January 12, 2009, and 21,739 shares granted to each independent non-employee director on January 19, 2010, as described under Director Compensation Fiscal 2009 above.
- (7) As a founder and designated member of Lion Capital LLP, Mr. Lea may be deemed to be the indirect beneficial owner of any securities beneficially owned or deemed to be beneficially owned by Lion Capital LLP, which, as the manager of the sole members of Lion and of their general partner, may be deemed to be the indirect beneficial owner of any securities beneficially owned or deemed to be beneficially owned by Lion. Pursuant to Rule 13d-3 under the Exchange Act, Lion may be deemed to beneficially own 16,000,000 shares of Common Stock, which are subject to issuance upon exercise of the Lion Warrant (which is exercisable by Lion at any time during its term). Neither the filing of this Schedule 14A nor any of its contents shall be deemed to constitute an admission that Mr. Lea is the beneficial owner of the Common Stock referred to herein for purposes of Section 13(d) of the Exchange Act or for any other purpose, and Mr. Richardson expressly disclaims such beneficial ownership, except to the extent of Mr. Lea's pecuniary interest therein. The information provided is based on the Schedule 13D filed by Mr. Lea with the SEC on March 23, 2009.
- (8) 1,000 shares are held by a trust established for the benefit of Mr. Mayer and his family, of which Mr. Mayer is Trustee.
- (9) As a founder and designated member of Lion Capital LLP, Mr. Richardson may be deemed to be the indirect beneficial owner of any securities beneficially owned or deemed to be beneficially owned by Lion Capital LLP, which, as the manager of the sole members of Lion and of their general partner, may be deemed to be the indirect beneficial owner of any securities beneficially owned or deemed to be beneficially owned by Lion. Pursuant to Rule 13d-3 under the Exchange Act, Lion may be deemed to beneficially own 16,000,000 shares of Common Stock, which are subject to issuance upon exercise of the Lion Warrant (which is exercisable by Lion at any time during its term). Neither the filing of this Schedule 14A nor any of its contents shall be deemed to constitute an admission that Mr. Richardson is the beneficial owner of the Common Stock referred to herein for purposes of Section 13(d) of the Exchange Act or for any other purpose, and Mr. Richardson expressly disclaims such beneficial ownership, except to the extent of Mr. Richardson's pecuniary interest therein. The information provided is based on the Schedule 13D filed by Mr. Richardson with the SEC on March 23, 2009.
- (10) 21,739 shares are held by Endless Bliss Inc. of which Mr. Thornton is the President, Chief Executive Officer and sole shareholder.
- (11) Includes (i) 38,399,116 shares owned by our current directors and executive officers; (ii) 1,000 shares held by a trust established for the benefit of Mr. Mayer and his family, of which Mr. Mayer is trustee, (iii) 21,739 shares held by Endless Bliss Inc. of which Mr. Thornton is the President, Chief Executive Officer and sole shareholder; and (iv) 16,000,000 shares subject to issuance upon exercise of the Lion Warrant (which is exercisable by Lion at any time during its terms) and may be deemed to be beneficially owned by Messrs. Lea and Richardson as described in footnotes 7 and 9 above, respectively.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Under its charter, the Audit Committee is charged with reviewing the Company's policies relating to the avoidance of conflicts of interest and reviewing all related party transactions that are required to be disclosed pursuant to SEC Regulation S-K, Item 404, or any successor provision. Additionally, the Audit Committee is responsible for reviewing the Company's program to monitor compliance with the Company's Code of Ethics. The Company's Code of Ethics is applicable to all directors, officers and employees and provides examples of conflict of interest situations as including, but not limited to, the following: any significant ownership interest in any supplier or customer; any consulting or employment relationship with any customer, supplier or competitor; any outside business activity that detracts from an individual's ability to devote appropriate time and attention to his or her responsibilities with the Company; the receipt of money, non-nominal gifts or excessive entertainment from any company with which the Company has current or prospective business dealings; being in the position of supervising, reviewing or having any influence on the job evaluation, pay or benefit of any close relative; selling anything to the Company or buying anything from the Company, except on the same terms and conditions as comparable officers or directors are permitted to so purchase or sell; and any other circumstance, event, relationship or situation in which the personal interest of a person subject to the Code of Conduct interferes, or even appears to interfere, with the interests of the Company as a whole. In determining whether to approve or ratify a transaction, the Audit Committee will take into account, among other factors it deems appropriate, whether the transaction is on terms no less favorable than terms generally available to an unaffiliated third-party under the same or similar circumstances and the extent of the related person's interest in the transaction.

The following are the material transactions or agreements between the Company and related persons since the beginning of fiscal year 2009. The Audit Committee has approved or ratified all of these transactions. All dollar amounts in this section are in United States dollars unless stated otherwise.

Lion Transaction

On March 13, 2009, the Company entered into a Credit Agreement (as amended from time to time, the Lion Credit Agreement) with Lion Capital (Americas) Inc. (as successor by assignment to Lion Capital (Guernsey) II Limited, Lion Capital), pursuant to which the Company borrowed \$75,000,000 and issued to Lion a seven-year warrant. In addition, under the Lion Credit Agreement, an additional \$5,000,000 of loans made to the Company thereunder constituted a fee paid by the Company to Lion Capital. Lion Capital subsequently assigned such loans and its rights and obligations under the Lion Credit Agreement to Lion Capital (Americas) Inc. Mr. Capps is a member of Lion Capital and Mr. Richardson is a founder and designated member of Lion Capital. Lion Capital is the sole stockholder of Lion Capital (Americas) Inc. and Mr. Capps is President of Lion Capital (Americas) Inc.

The largest aggregate amount of principal outstanding during fiscal year 2009 was \$86,129,552, the amount outstanding as of December 31, 2009. During fiscal year 2009, the amount of principal paid, the amount of interest paid and the amount of interest payable were \$0, \$3,256,405 and \$9,385,957, respectively.

In connection with such transaction, on March 13, 2009, the Company issued to Lion a seven-year warrant (the Lion Warrant), which is exercisable at any time during its term, to purchase an aggregate of 16,000,000 shares of Common Stock at an exercise price of \$2.00 per share, subject to adjustment under certain circumstances.

Agreements Between Mr. Charney and Lion

In connection with financing transaction described above, Mr. Charney and Lion/Hollywood LLC (as successor by assignment to Lion Capital (Guernsey) II Limited, Lion) entered into a voting agreement, dated as of March 13, 2009 (the Investment Voting Agreement), and the Company and Lion entered into an investment agreement, dated as of March 13, 2009 (as amended from time to time, the Investment Agreement). Pursuant to the Investment Agreement, Lion currently has the right to designate two persons to the Board of Directors

(Investor Directors) and a board observer (Board Observer). Lion's right to designate Investor Directors and a Board Observer is subject to maintaining certain minimum ownership thresholds of shares issuable under the Lion Warrant, which is exercisable at any time during its term, to purchase an aggregate of 16,000,000 shares of Common Stock at an exercise price of \$2.00 per share, subject to adjustment under certain circumstances. Lion has designated Jacob Capps and Neil Richardson as its Investor Directors.

Pursuant to the Investment Voting Agreement, for so long as Lion has the right to designate any person or persons to the Board of Directors, Mr. Charney has agreed to vote his shares of Common Stock in favor of Lion's designees, provided that Mr. Charney's obligation to so vote terminates if he owns less than 6,000,000 shares of Common Stock (which number will be adjusted appropriately to take into account any stock split, reverse stock split or similar transaction). In addition, pursuant to the Investment Voting Agreement, for so long as Lion has the right to designate any person or persons to the Board of Directors, Lion has agreed to vote its shares of Common Stock in favor of Mr. Charney each time Mr. Charney is nominated for election to the Board of Directors, provided that Lion's obligation to so vote terminates if either (i) Mr. Charney beneficially owns less than 27,900,000 shares of Common Stock (which number will be adjusted appropriately to take into account any stock split, reverse stock split or similar transaction) or (ii) (A) Mr. Charney is no longer employed on a full-time basis by the Company or any subsidiary of the Company and (B) Mr. Charney is in material breach of the non-competition and non-solicitation covenants contained in the Acquisition Agreement, as extended by a letter agreement, dated March 13, 2009, between Mr. Charney and Lion.

The descriptions of the Lion transaction, the Lion Warrant, the Investment Agreement, the Investment Voting Agreement and the other transaction documents are qualified in their respective entireties by reference to the descriptions contained in the Current Reports on Forms 8-K filed by the Company with the SEC on March 16, 2009, April 16, 2009, June 19, 2009, August 20, 2009, November 3, 2009, April 1, 2010, June 24, 2010, and the documents filed as exhibits to such Current Reports.

In connection with the Lion Credit Agreement and the Investment Agreement, Mr. Charney also entered into a letter agreement, dated March 13, 2009, with the Company and Lion to extend, with respect to Mr. Charney only, the time period applicable to the non-competition and non-solicitation covenants contained in Section 5.27(a) of the Acquisition Agreement from December 12, 2011 to December 31, 2013, provided that such extension period will terminate upon the earliest to occur of the Trigger Events described below.

In connection with the Lion Credit Agreement and the Investment Agreement, Mr. Charney also agreed to extend the lock-up agreement, dated as of December 12, 2007, pursuant to which Mr. Charney agreed not to make certain transfers of the 37,258,065 shares of Common Stock that he received pursuant to the Acquisition Agreement, from December 12, 2010 to December 31, 2013 (the Extension Period). However, the Extension Period will terminate upon the earliest to occur of the following events (the Trigger Events): (i) (A) Lion and its affiliates beneficially own less than 4 million shares of Common Stock issued or issuable upon exercise of the Lion Warrant and (B) the loans made pursuant to the Lion Credit Agreement have been repaid in full, (ii) Mr. Charney's employment is terminated by the Company without cause or (iii) Mr. Charney terminates his employment with the Company for good reason (the terms without cause and good reason having the respective meanings set forth in his employment agreement, dated as of December 12, 2007, as it may be hereafter amended, supplemented or modified from time to time, between Mr. Charney and the Company). Notwithstanding the foregoing, during the Extension Period, in addition to any other transfers permitted prior to the Extension Period, Mr. Charney will have the right to transfer, in a single transaction or in multiple transactions from time to time, a number of shares of Common Stock otherwise subject to the lock-up agreement not to exceed 25% of the total number of shares of Common Stock in which Mr. Charney has a legal or beneficial interest as of December 12, 2010.

On October 28, 2009, the Company entered into a letter agreement (the Letter Agreement) with Mr. Charney and Lion, under which the Company and Lion agreed that notwithstanding restrictions on Mr. Charney's ability to transfer shares of the Company's common stock that are subject to the Lock-Up

Agreement, dated December 12, 2007, executed by Mr. Charney, as extended by the Letter Agreement Re: Extension of Lock-Up Agreement, dated March 13, 2009 (the "Lock-Up Extension Letter"), among Mr. Charney, the Company and Lion, Mr. Charney has the right to pledge his right, title and interest in, to and under, in a single transaction or in multiple transactions, at any time and from time to time, an aggregate of up to five million such shares. The description of the Letter Agreement is qualified in its entirety by reference to the descriptions contained in the Current Report on Form 8-K filed by the Company with the SEC on November 3, 2009, and the documents filed as exhibits to such Current Report.

Loans from Mr. Charney to the Company

At the closing of the Acquisition, the Company converted C\$6.0 million owed to Mr. Charney into two loans payable, which mature in December 2012 and bear interest at 6% from December 12, 2007. As of December 31, 2009, the outstanding loan balance was \$922,718. No interest was paid during 2009.

On December 19, 2008, Mr. Charney loaned the Company \$2.5 million in exchange for a promissory note (the "December Note"). On February 10, 2009, Mr. Charney loaned the Company an additional \$4.0 million in exchange for a promissory note (the "February Note" and together with the December Note, the "Promissory Notes"). The Promissory Notes mature in January 2013 and provide for interest at an annual rate of 6%, payable in kind. The Promissory Notes were repaid in part in an aggregate amount equal to \$3.25 million with a portion of the proceeds of the loans under the Lion Credit Agreement during fiscal year 2009. The largest aggregate amount of principal outstanding during fiscal year 2009 was \$6,500,000 and \$182,352 of interest was accrued. As of December 31, 2009, the outstanding balance was \$3,432,352.

Personal Guarantees by Mr. Charney

Dov Charney has personally guaranteed the obligations of American Apparel under various property leases, including:

New York store at 712 Broadway, New York, NY for up to approximately \$750,000 in aggregate obligations;

New York store at 183 E. Houston St., New York, NY for up to approximately \$740,000 in aggregate obligations;

New York store at 1090 Third Ave., New York, NY for up to approximately \$210,020 in aggregate obligations;

Chicago store at 1563 N. Milwaukee Ave., Chicago, IL for up to approximately \$396,000 in aggregate obligations; and

Los Angeles store at 6922 Hollywood Blvd., Los Angeles, CA for up to approximately \$1.5 million in aggregate obligations (equally and jointly guaranteed by the Company and Dov Charney).

Lease Agreement Between the Company and an Affiliate of Mr. Charney and Mr. Bailey

In December 2005, Old American Apparel entered into an operating lease, which commenced on November 15, 2006, for its knitting facility with American Central Plaza, LLC. As of the date of this Proxy Statement, Dov Charney holds an 18.75% ownership interest in American Central Plaza, LLC, while Martin Bailey, the Company's Chief Manufacturing Officer, holds a 6.25% interest. The remaining members of American Central Plaza, LLC are not affiliated with the Company. The monthly lease payments were \$48,000 through February 2008 and increased to \$52,000 as of March 2008. The lease expires in November 2011, with a five year extension available at American Apparel's option.

Payments to Morris Charney

Morris Charney, Dov Charney's father (Mr. M. Charney), currently serves as a director of American Apparel Canada Wholesale Inc. and American Apparel Canada Retail Inc. Day-to-day operations of these two Canadian subsidiaries are handled by other employees of these subsidiaries, none of whom performs any policy making functions for the Company. Management of American Apparel sets the policies for American Apparel and its subsidiaries as a whole. Mr. M. Charney provided the initial funding for the founding of Old American Apparel in 1998, as well as subsequent additional financing, all remaining amounts of which were repaid during 2007. Mr. M. Charney does not perform any policy making functions for the Company or any of its subsidiaries. Instead, Mr. M. Charney only provides architectural consulting services primarily for stores located in Canada and, in limited cases, in the United States. During 2009 and the current year through September 30, 2010, Mr. M. Charney was paid architectural consulting fees amounting to \$182,963 and \$195,178, respectively, for his services.

OTHER MATTERS

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires the Company's executive officers and directors, and any beneficial owner of more than ten percent of a registered class of the Company's equity securities, to file reports (Forms 3, 4 and 5) of stock ownership and changes in ownership with the SEC and the NYSE Amex. Officers, directors and beneficial owners of more than ten percent of the Common Stock are required by SEC regulations to furnish the Company with copies of all such forms that they file.

Based solely on the Company's review of the copies of Forms 3, 4 and 5 and the amendments thereto received by it for the year ended December 31, 2009, or written representations from certain reporting persons that no Forms 5 were required to be filed by those persons, the Company believes that during the year ended December 31, 2009, all filing requirements were complied with by its executive officers, directors and beneficial owners of more than ten percent of the Common Stock.

OTHER BUSINESS

The Board of Directors knows of no other matters to be brought before the stockholders at the Annual Meeting. If other matters are properly presented for a vote at the Annual Meeting, the proxy holders will vote shares represented by properly executed proxies as recommended by the Board of Directors or, if no recommendation is given, in their discretion in accordance with their judgment on such matters.

INFORMATION CONCERNING STOCKHOLDER PROPOSALS

Proposals of stockholders that are intended to be presented at our 2011 Annual Meeting of Stockholders must be received by us no later than June 27, 2011 in order to be included in the proxy statement and form of proxy relating to that annual meeting. A stockholder must have continuously held at least \$2,000 in market value, or 1% of the Company's outstanding Common Stock for at least one year by the date of submission of the proposal, and the stockholder must continue to own such stock through the date of the meeting.

In addition, for a stockholder proposal that is not intended to be included in the Company's proxy statement for the 2010 Annual Meeting of Stockholders under the Exchange Act, written notice of the proposal, which notice must include the information required by the Bylaws, must be received by the Company's Secretary not earlier than the close of business on the 90th day prior to the 2011 Annual Meeting of Stockholders and not later than the close of business on the 60th day prior to the 2011 Annual Meeting of Stockholders. If less than 70 days

notice or prior public disclosure of the date of next year's annual meeting is given or made to stockholders, then notice of a stockholder proposal that is not intended to be included in the Company's proxy statement under Rule 14a-8 under the Exchange Act must be received no later than the close of business on the tenth day following the date on which notice of the date of such annual meeting is mailed to the stockholders or the date on which public disclosure of the date of such annual meeting is made, whichever is first. Furthermore, receipt by the Company of any such proposal from a qualified stockholder in a timely manner will not guarantee its inclusion in the proxy materials or its presentation at the 2011 Annual Meeting of Stockholders, because there are other relevant requirements in the SEC's proxy rules.

For proposals that are timely filed, the Company retains discretion to vote proxies it receives provided that (1) the Company includes in its proxy statement advice on the nature of the proposal and how it intends to exercise its voting discretion and (2) the proponent does not issue a proxy statement.

October 15, 2010

BY ORDER OF THE BOARD OF DIRECTORS,

/s/ Dov Charney

Dov Charney

Chairman of the Board

