

American Apparel®

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Crafted With Pride
in the USA

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Dear American Apparel Employees,

As Chairman of the Board, I want to thank you for your effort and commitment as we begin the turnaround at American Apparel. This is very important work for all who are a part of our community and for the future of the Company. This turnaround will not be a quick fix, but the Board of Directors is confident that we have the right team in place.

Our new CEO Paula Schneider has only been on the job for 15 weeks, but has already developed a strategic plan to guide the turnaround effort and position the Company for future success. Paula and her management team will be working with you in the weeks and months ahead to effectively implement the plan and execute on her vision for the Company.

The state of affairs that we stepped into before starting our turnaround is reflected in the first quarter numbers, but we look forward to seeing growth as we put that behind us. We appreciate your input and grit throughout this process as we work together to achieve a successful turnaround.

Many of you have expressed concern that Mr. Charney continues to claim he is returning to American Apparel. He is not.

You can and should judge the facts for yourself, but we wanted to provide you with some information. Attached is a June 18, 2014 letter from the Board of Directors to Mr. Charney. This letter sets forth the many reasons why Board members who were nominated by Mr. Charney unanimously found that he failed to perform his duties as CEO. Among other reasons, the Board found that Mr. Charney repeatedly violated the Company's sexual harassment and anti-discrimination policy and used corporate assets for personal, non-business reasons. This Company will not stand for that. We imagine most of you feel the same way.

When confronted with these findings, Mr. Charney requested a second, even more comprehensive investigation to determine if he was suitable to work at American Apparel. He agreed in writing, in a contract, on file with the Securities and Exchange Commission (SEC), that if he was found to be not suitable by the second investigation, he would not return as CEO, an executive or as an employee of the Company.

This second investigation was handled by FTI, leading experts in this field and the conclusion was reached by an independent committee of the new Board. Mr. Charney was found not suitable and the Board fired him for cause. The Board's second investigation confirmed that Mr. Charney had repeatedly violated the Company's sexual harassment and anti-discrimination policy and used corporate assets for personal, non-business reasons. Consequently, the SEC has notified the Company that they have launched a formal investigation into possible violations of the securities regulations during the time that Mr. Charney was CEO.

I also note that Mr. Charney no longer has the ability to influence corporate actions as either an executive, employee or shareholder. Mr. Charney took out a loan from an investment firm. In connection with that loan he agreed not to vote his shares in the Company without the consent of the lender. This agreement precludes him from trying to use the Board election process as a means of influencing or returning to the Company.

Now, given this set of facts, even if Mr. Charney had not entered into those contracts that prevent him from returning to or controlling American Apparel, it would be hard to find any Board of any company (public or private) that would be willing to hire Mr. Charney as its CEO, executive, or employee. The risk to the company and its shareholders would just be too great. One of the responsibilities of a Board of Directors is to control risk, and it would be a clear breach of any Board's fiduciary duties to re-hire an individual with Mr. Charney's history of misconduct.

A review of the facts:

- Mr. Charney put in writing he wouldn't come back, in an agreement filed with the SEC.
- Mr. Charney was fired for cause as a result of two separate investigations.
- Based on that, the SEC is formally investigating potential violations of law during the time Mr. Charney was CEO.

With this set of facts, you would be hard-pressed to find a Board that can afford the risk for the Company or its employees.

The old way of doing business was not sustainable and brought the Company to the edge of financial ruin. We expect supporters of the old management to continue to try to disrupt the business, but we ask everyone to focus on the job at hand to help make American Apparel a strong and stable company.

Finally, many of you have expressed concern and frustration that you continue to receive unwanted emails from other employees that attack Paula and the new management. We certainly understand how you feel and share your frustration. Unfortunately, labor laws arguably require us to allow many of these emails to reach you. However, labor laws do not require you to open, read or keep these emails. The choice is yours.

The Company's approach has been and will be to take the high road when it comes to Mr. Charney. We do not intend to waste time responding to all of the meritless claims made by or on behalf of Mr. Charney through the media or in emails, when our time is much better spent helping the Company to succeed.

The former Board acted to protect the Company and your interests. The current Board will do that as well and also make decisions that strengthen the Company as we move forward.

As a public company and as ethical professional leaders we will abide by applicable federal and state laws. We strive to do the right thing for our employees and all of our stakeholders. We have a plan to grow the Company. We have a job to do at American Apparel. Let's do it together.

Respectfully,

A handwritten signature in black ink on a light yellow rectangular background. The signature is written in a cursive style and appears to read "Colleen Brown".

Colleen Brown, Chairman of the Board

cc: Board of Directors