

AMERICAN APPAREL, INC
Form DEF 14A
April 29, 2009

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:

(2) Aggregate number of securities to which transaction applies:

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(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

April 29, 2009

Dear Fellow Stockholder:

We are pleased to invite you to the 2009 Annual Meeting of Stockholders of American Apparel, Inc., to be held on June 17, 2009, 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 rules recently adopted by the Securities and Exchange Commission, we are providing access to our 2009 Annual Meeting materials, which include the accompanying Proxy Statement and our 2008 Annual Report on Form 10-K, over the Internet in lieu of mailing printed copies. We will begin mailing, on or about April 30, 2009, 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 2009 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 2009 Annual Meeting materials, including a proxy card if you are a record holder or a voting instruction form if you are 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 June 17, 2009

Time and Date: 2:00 p.m., Pacific Time, on Wednesday, June 17, 2009

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

- Items of Business:**
1. To elect Messrs. Jacob Capps, Adrian Kowalewski and Neil Richardson 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 Deloitte & Touche LLP as our independent auditors for the fiscal year ending December 31, 2009.
 3. To approve the issuance of shares of common stock upon exercise of the warrant issued to an affiliate of Lion Capital LLP at a price less than the floor price if the anti-dilution provisions of the warrant so require.
 4. To approve the American Apparel, Inc. Incentive Compensation Plan.
 5. 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** each of Items 2, 3 and 4.

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 April 28, 2009. 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 recently adopted by the Securities and Exchange Commission, we are providing access to our 2009 Annual Meeting materials, which include the accompanying Proxy Statement and our 2008 Annual Report on Form 10-K, over the Internet in lieu of mailing printed copies. We will begin mailing, on or about April 30, 2009, 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 2009 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 2009 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 2008 Annual Report on Form 10-K 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

April 29, 2009

AMERICAN APPAREL, INC.

747 Warehouse Street

Los Angeles, California 90021

PROXY STATEMENT

FOR 2009 ANNUAL MEETING OF STOCKHOLDERS

To be held on June 17, 2009

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, 2008 (our Annual Report), is being made available to stockholders commencing on or about April 30, 2009 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 2009 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 Wednesday, June 17, 2009, 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 2009 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 April 30, 2009.

Under rules recently adopted by the Securities and Exchange Commission (the SEC), we are providing access to our 2009 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 2009 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 2009 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 2009 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 2009 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 2009 Annual Meeting materials, you may write or call us at the above address to request that a separate copy of the 2009 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 2009 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

cstmail@continentalstock.com

Q: How can I get electronic access to the 2009 Annual Meeting materials?

The Notice will provide you with instructions regarding how to view the 2009 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.

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

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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 2008 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. Jacob Capps, Adrian Kowalewski and Neil Richardson 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 Deloitte & Touche LLP as our independent auditors for the fiscal year ending December 31, 2009. This proposal is referred to as Proposal 2.
 - (3) The approval of the issuance of shares of common stock upon exercise of the Lion Warrant (as defined under Proposal 3 below) at a price less than the floor price if the anti-dilution provisions of the Lion Warrant so require. This proposal is referred to as Proposal 3.
 - (4) The approval of the American Apparel, Inc. Incentive Compensation Plan. This proposal is referred to as Proposal 4.
 - (5) 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. Jacob Capps, Adrian Kowalewski and Neil Richardson 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 Deloitte & Touche LLP as our independent auditors for the year ending December 31, 2009.

The Board recommends a vote **FOR** the approval of the issuance of shares of Common Stock upon exercise of the Lion Warrant at a price less than the floor price if the anti-dilution provisions of the Lion Warrant so require.

The Board recommends a vote **FOR** the approval of the American Apparel, Inc. Incentive Compensation Plan.

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 April 28, 2009 (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, April 28, 2009, 71,031,068 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?

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 2009 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 2009 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 2009 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. 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 broker non-votes with respect to this proposal will not count as shares entitled to vote on this proposal and therefore will be disregarded for purposes of determining the outcome of the vote on this proposal. Any abstentions with respect to this proposal will count as votes against this proposal.

Proposal 3, the approval of the issuance of shares of Common Stock upon exercise of the Lion Warrant at a price less than the floor price if the anti-dilution provisions of the Lion Warrant so require, requires the affirmative for vote of a majority of votes cast. Any broker non-votes or abstentions with respect to this proposal will not count as votes cast and therefore will be disregarded for purposes of determining the outcome of the vote on this proposal.

Proposal 4, the approval of the American Apparel, Inc. Incentive Compensation Plan, requires the affirmative for vote of a majority of votes cast. Any broker non-votes or abstentions with respect to this proposal will not count as votes cast and therefore will be disregarded for purposes of determining the outcome of the vote on this proposal.

Under the terms of the Investment Voting Agreement (described under **Proposal 1** below), Dov Charney, the beneficial owner of approximately 53.7% of the outstanding shares of Common Stock and voting power of the Company as of April 28, 2009, has agreed to vote his shares of Common Stock in favor of the election of Messrs. Capps and Richardson to the Board of Directors. Mr. Charney's vote is sufficient to elect Messrs. Capps and Richardson 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.

In addition, Mr. Charney has informed the Company that he intends to vote in favor of the election of Mr. Kowalewski, and his vote is sufficient to elect Mr. Kowalewski without further affirmative votes from the other stockholders.

In addition, Mr. Charney has informed the Company that he intends to vote in favor of Proposals 2, 3 and 4, 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, President 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 2010 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 December 31, 2009. If the date of the 2010 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 2010 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 2010 Annual Meeting of Stockholders; and

Not later than the close of business on the 60th day prior to the 2010 Annual Meeting of Stockholders.

If less than 70 days notice or prior public disclosure of the date of the 2010 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 2010 Annual Meeting of Stockholders is mailed to the stockholders or the date on which public disclosure of the date of the 2010 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 Quarterly Report on Form 10-Q for the fiscal quarter ending on June 30, 2009.

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 B 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, Mark D. Klein, Adrian Kowalewski, Allan Mayer, Keith Miller, Mark Samson, Mortimer Singer and Mark A. Thornton.

The terms of Messrs. Klein, Kowalewski and Singer will expire at the Annual Meeting. The Board has nominated Jacob Capps, Mr. Kowalewski and Neil Richardson (the Class B Nominees) for election at the Annual Meeting. Messrs. Capps and Richardson are the two designees of Lion/Hollywood L.L.C. (Lion) under the Investment Agreement and the Investment Voting Agreement (each described below). Messrs. Klein and Singer are not standing for reelection to the Board. If elected, each of the Class B Nominees will serve for a term to expire at the 2012 Annual Meeting of Stockholders.

Each of the Class B 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 B 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 B directors at the Annual Meeting.

The names and certain information concerning the Class B Nominees are set forth below, and the names and certain information regarding the continuing directors whose terms expire in 2010 and 2011 are set forth under the heading "Directors and Executive Officers" herein.

Jacob Capps is a member of Lion Capital LLP (Lion Capital), a private equity firm focused on the consumer sector. Prior to joining Lion Capital in April 2007, Mr. Capps was a principal with Crestview Partners, a New York based private equity firm, from March 2005 to March 2007. From August 1998 to December 2000 and July 2002 to February 2005, Mr. Capps worked for Hicks, Muse, Tate & Furst, a Dallas based private equity firm. From June 1996 to June 1998, Mr. Capps worked in the investment banking division at Goldman, Sachs & Co. in New York. Mr. Capps holds a B.A. from Dartmouth College and an M.B.A. from Harvard University. Mr. Capps is one of the two designees of Lion pursuant to the Investment Agreement and Investment Voting Agreement and is standing for election to the Board for the first time.

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 have included finance, corporate strategy, and investor relations. 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.

Neil Richardson is a founding partner of Lion Capital, a private equity firm focused on the consumer sector. Mr. Richardson has been with Lion Capital since its inception in January 2004. Prior to founding Lion Capital, Mr. Richardson was with Kohlberg Kravis Roberts & Co. (KKR) from 1998 to 2003, latterly 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 and is standing for election to the Board for the first time.

Lion Investment and Voting Agreements

In connection with the financing transaction (described under Proposal 3 herein) with Lion (as successor by assignment to Lion Capital (Guernsey) II Limited), Mr. Charney and 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 April 10, 2009 (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. 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, 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.

Vote Required

The Class B 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 B Nominees named above.**

Pursuant to the agreements described above, Mr. Charney, the beneficial owner of approximately 53.7% of the outstanding shares of Common Stock and voting power of the Company as of April 28, 2009, has agreed to vote his shares of Common Stock in favor of the election of Messrs. Capps and Richardson to the Board of Directors. Mr. Charney's vote is sufficient to elect Messrs. Capps and Richardson without further affirmative votes from the other stockholders.

In addition, Mr. Charney has informed the Company that he intends to vote in favor of the election of Mr. Kowalewski, and his vote is sufficient to elect Mr. Kowalewski 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 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 B Nominees.

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

PROPOSAL 2: RATIFICATION OF APPOINTMENT OF INDEPENDENT AUDITORS

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

Change in Accountants

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 & Kliegman LLP (M&K) 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. M&K 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 the 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 is not the result of any disagreement with M&K.

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 M&K on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure that, if not resolved to M&K s satisfaction, would have caused M&K 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.

M&K s audit report dated March 16, 2009 (which was included in the 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 M&K s report dated March 16, 2009 (which was included in the Annual Report) on the Company s internal control over financial reporting as of December 31, 2008, M&K 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; and (ii) M&K 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 M&K 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 Current Report) prior to the time the Current Report was filed with the SEC. The Company requested that M&K furnish a letter addressed to the SEC stating whether or not it agrees with the statements made herein. A copy of M&K s letter dated April 10, 2009 was filed as Exhibit 16.1 to the 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 and its partners including preparing personal tax returns for Mr. Richardson and several other partners of Lion Capital 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. Capps or Richardson to be members of any of the current Committees of the Board of Directors.

Although stockholder ratification of the selection of Deloitte 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 Deloitte, the Audit Committee will reconsider its appointment. In addition, even if the stockholders ratify the appointment of Deloitte, 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 Deloitte 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 M&K 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 Deloitte as our independent auditors for the fiscal year ending December 31, 2009. **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 53.7% of the outstanding shares of Common Stock and voting power of the Company as of April 28, 2009, 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 broker non-votes with respect to this Proposal 2 will not count as shares entitled to vote on this Proposal 2 and therefore will be disregarded for purposes of determining the outcome of the vote on this Proposal 2. 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, 2008 and 2007 by M&K, our independent auditors during such periods, are as follows. Amounts prior to December 12, 2007, the closing date of the Acquisition (as defined under Corporate Governance and Board Matters below), represent fees billed to Old American Apparel (as defined under Corporate Governance and Board Matters below) and our predecessor, Endeavor:

	American Apparel, Inc. (formerly known as Endeavor Acquisition Corp.) (dollars in thousands)		Old American Apparel
	2008	2007	2007 (through December 12, 2007)
Audit fees (1)	\$ 2,835	\$ 1,163	\$ 59
Audit related fees (2)		17	1,837
Tax fees (3)			8
All other fees (4)			
Total	\$ 2,835	\$ 1,180	\$ 1,904

- (1) Audit fees consist of fees for professional services rendered for the audit of the Company's annual financial statements included in Form 10-K, 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.
- (2) Audit related fees consist of fees for services related to employee benefit plans, due diligence and other procedures performed on behalf of the Company relating to the Acquisition consummated on December 12, 2007 and assurance and similar services that are reasonably related to the performance of the audit or review of the Company's financial statements that are not reported under Audit fees.
- (3) Tax fees consist of fees for tax compliance, tax advice and tax planning.
- (4) All other fees consist of fees for any services 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 M&K during 2008 was compatible with maintaining M&K's independence. In addition to retaining M&K to audit and review our consolidated financial statements for 2008, the Company retained other accounting firms to provide tax and advisory services in 2008. M&K did not provide any tax or advisory services to the Company in 2008. The Company understands the need for its independent auditors to maintain objectivity and independence in its audit of the Company's financial statements.

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 has reviewed and discussed with management the Company's audited financial statements. In addition, the Audit Committee has discussed with M&K the matters 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 has also received the written disclosures and the letter from M&K required by applicable requirements of the Public Company Accounting Oversight Board regarding M&K's communications with the Audit Committee concerning independence and has discussed with M&K its independence.

The Audit Committee has met with M&K, 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.

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, 2008 for filing with the SEC.

By the Audit Committee,

Mark D. Klein, Chairman
Mark Samson
Mark A. Thornton

PROPOSAL 3: APPROVAL OF THE ISSUANCE OF SHARES OF COMMON STOCK UPON EXERCISE OF THE LION WARRANT AT A PRICE LESS THAN THE FLOOR PRICE IF THE ANTI-DILUTION PROVISIONS OF THE LION WARRANT SO REQUIRE

Description of the Lion Transaction

On March 13, 2009, the Company entered into a Credit Agreement (the Lion Credit Agreement) with Lion Capital (Guernsey) II Limited, a Guernsey limited company (LCGII), and an affiliate of LCGII pursuant to which the Company borrowed an aggregate principal amount of \$80 million. 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. Also in connection with such transaction, on March 13, 2009, Lion entered into the Investment Agreement with the Company and the Investment Voting Agreement with Dov Charney, as further described under Proposal 1 above, and Mr. Charney entered into the agreements described below under Certain Relationships and Related Transactions Agreements Between Mr. Charney and Lion. On March 20, 2009, LCGII transferred and assigned all of its right, title and interest in such loans, agreements and the Lion Warrant to its affiliate, 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 Report on Form 8-K filed by the Company with the SEC on March 16, 2009, and the documents filed as exhibits to such Current Report.

Description of the Lion Warrant s Anti-Dilution Adjustments

The Lion Warrant contains certain anti-dilution provisions which adjust the exercise price of the Lion Warrant and the number of shares of Common Stock for which the Lion Warrant is exercisable upon the occurrence of certain events. These events include if the Company takes the following actions (the Adjustment Events):

sells or issues additional shares of Common Stock without consideration or at a price per share that is lower than the closing price per share of the Common Stock on the last trading day immediately preceding the earlier of the date of announcement of such sale or issuance and the date on which the price for such sale or issuance is agreed or fixed; or

takes a record of the holders of its Common Stock for the purpose of entitling them to receive a distribution of, or in any manner (whether directly or by assumption in a merger in which the Company is the surviving corporation) issues or sells any evidences of indebtedness, shares of capital stock or other securities which are or may be at any time convertible into or exchangeable for additional shares of Common Stock, or any warrant, option or other right to subscribe for or purchase any additional shares of Common Stock or any such convertible security (collectively, Common Stock Equivalents), whether or not the rights to exchange or convert thereunder are immediately exercisable, and the price per share for which the Common Stock is issuable upon such conversion or exchange (including such price as it may thereafter be amended or adjusted) is less than the closing price per share of the Common Stock on the last trading day immediately preceding the earliest of such record date, the date of the announcement of such sale or issuance and the date on which the price of such sale or issuance (or amendment or adjustment, as applicable) is agreed or fixed, or if, after any such issuance of Common Stock Equivalents, the price per share for which additional shares of Common Stock may be issuable will be amended and adjusted, and the price so amended or adjusted will be less than the closing price per share of the Common Stock on the last trading day immediately preceding the date of such amendment or adjustment.

The Adjustment Events are subject to some exceptions in which an adjustment is not required, such as (i) for securities issued upon the exercise or conversion of exercisable or convertible securities outstanding as of the date of issuance of the Lion Warrant, including the warrant held by SOF Investments, L.P. Private IV to

purchase 1,000,000 shares of Common Stock issued in December 2008, and (ii) for issuances or grants pursuant to the Company's stock option plans, employee stock purchase plans or employment agreements if the price or exercise price per share is equal to or greater than the closing price of the Common Stock on the date of such issuance or grant.

Upon the occurrence of an Adjustment Event, both the number of shares of Common Stock for which the Lion Warrant is exercisable and the exercise price of the Lion Warrant will be adjusted as follows (the "Adjustments"):

Adjustment of Number of Shares of Common Stock

Number of shares of Common Stock for which the Lion Warrant is exercisable immediately after such sale or issuance	=	Number of shares of Common Stock for which the Lion Warrant is exercisable immediately prior to such sale or issuance	x	Number of shares of Common Stock outstanding immediately after such sale or issuance Number of shares of Common Stock which the aggregate consideration received for such sale or issuance would purchase at such per share market value <u>plus</u> number of shares of Common Stock outstanding immediately prior to such sale or issuance
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Adjustment of Exercise Price