

American Apparel Secures \$14.9 Million in New Financing

LOS ANGELES--(BUSINESS WIRE)-- American Apparel, Inc. (NYSE Amex: APP), a vertically integrated manufacturer, distributor, and retailer of branded fashion basic apparel, today announced it has raised \$14.9 million in new capital, which will allow it to take advantage of improving business conditions, while at the same time meeting increased bank required reserves.

The company has agreed to sell approximately 15.8 million shares of common stock at \$0.90 a share to a group of private investors led by Canadian financier Michael Serruya and Delavaco Capital. The investors also received the right to purchase up to an additional approximately 27.4 million shares at the same price within 180 days, subject to certain anti-dilution and other adjustments. In addition, American Apparel chairman and CEO Dov Charney would purchase up to an initial approximately 0.8 million shares at \$0.90 a share, with a similar right to purchase up to an additional approximately 1.6 million shares.

"We deeply appreciate this vote of confidence from Michael Serruya and his colleagues," said Mr. Charney. "We are also grateful for the support we've received from our lenders."

"We believe in the American Apparel brand and we believe in Dov Charney," Mr. Serruya said. "We are convinced that with adequate resources, Dov and his experienced management team will lead American Apparel to new heights."

As a condition to the investors entering into the financing agreements, the investors required that the company provide Mr. Charney a right to receive up to three installments of additional shares of common stock beginning in 2013 as anti-dilution protection if certain stock price performance benchmarks ranging from \$3.25 to \$5.25 per share are achieved. In the event these benchmarks are achieved in full, the company would be required to issue an additional approximately 39.7 million shares to Mr. Charney. The issuance of shares under the new financing agreements also will require the issuance of additional warrants to Lion Capital and will reduce the exercise price of Lion's existing warrants under the anti-dilution provisions of their credit agreement and adjustments to the company's warrant with SOF Investments.

Among other things, the new capital should allow the company to execute its business plan while meeting the new increased minimum excess availability requirement of its first-lien lender, as described below.

The company is also in discussions with its lenders regarding amendments to its credit agreements with Bank of America and Lion Capital. Among other things, the Bank of America amendment is expected to increase the minimum excess availability requirement to \$12.5 million from \$7.5 million, and the Lion amendment also is expected to expand Lion's anti-dilution protections with respect to its warrants. The amendments also are expected to waive the requirement that the year-end audit for fiscal year 2010 be provided without a "going concern" or similar qualification.

The issuance of shares pursuant to the purchase rights in the financing agreements and Mr. Charney's anti-dilution provision is subject to approval of the company's stockholders at the company's next annual meeting of stockholders, currently scheduled for June.

The company will be filing with the Securities and Exchange Commission a Current Report on Form 8-K with additional information about the financing transactions and the credit agreement amendments.

About American Apparel

American Apparel is a vertically integrated manufacturer, distributor, and retailer of branded fashion basic apparel based in downtown Los Angeles, California. As of March 28, 2011, American Apparel had approximately 10,000 employees and operated 273 retail stores in 20 countries, including the United States, Canada, Mexico, Brazil, United Kingdom, Ireland, Austria, Belgium, France, Germany, Italy, the Netherlands, Spain, Sweden, Switzerland, Israel, Australia, Japan, South Korea, and China. American Apparel also operates a leading wholesale business that supplies high quality T-shirts and other casual wear to distributors and screen printers. In addition to its retail stores and wholesale operations, American Apparel operates an online retail e-commerce website at <http://www.americanapparel.com>.

About Delavaco Capital

Delavaco Capital Corp. is a private equity firm focused on investments in the natural resource, real estate infrastructure, retail, and franchising sectors. Delavaco's objective is to combine access to capital, industry expertise, and extensive capital markets experience to create significant value in its investment portfolio. Delavaco has a strong track record of forming and actively managing early stage enterprises and developing them into strong public companies with a solid management and financial

foundation. Delavaco shareholders have a unique opportunity to gain direct and indirect exposure to early stage private equity investments. Delavaco is headquartered in Fort Lauderdale, Florida with offices in Toronto, Ontario and Bogota, Colombia, and has funded, jointly funded or arranged funding in excess of C\$500 million over the past three years. \

Safe Harbor Statement

This press release, and other statements that the company may make, may contain forward-looking statements, including statements about the financing agreements, the issuance of shares and closings thereunder and amendments of the company's credit agreements. Such forward-looking statements are based upon the current beliefs and expectations of American Apparel's management, but are subject to risks and uncertainties, which could cause actual results and/or the timing of events to differ materially from those set forth in the forward-looking statements, including, among others: the ability to generate or obtain from external sources sufficient liquidity for operations and debt service; changes in the level of consumer spending or preferences or demand for the company's products; increasing competition, both in the U.S. and internationally; the evolving nature of the company's business; the company's ability to hire and retain key personnel and the company's relationship with its employees; suitable store locations and the company's ability to attract customers to its stores; the availability of store locations at appropriate terms and the company's ability to identify and negotiate new store locations effectively and to open new stores and expand internationally; effectively carrying out and managing the company's strategy, including growth and expansion both in the U.S. and internationally; disruptions in the global financial markets; failure to maintain the value and image of the company's brand and protect its intellectual property rights; declines in comparable store sales and wholesale revenues; financial nonperformance by the company's wholesale customers; the adoption of new accounting pronouncements or changes in interpretations of accounting principles; seasonality of the business; consequences of the company's significant indebtedness, including the company's relationships with its lenders and the company's ability to comply with its debt agreements, including the risk of acceleration of borrowings thereunder as a result of noncompliance; the company's ability to generate cash flow to service its debt; the company's ability to extend, renew or refinance its existing debt; the company's liquidity and losses from operations and related impact on the company's ability to continue as a going concern; the company's ability to regain compliance with the stock exchange rules; the company's ability to develop and implement plans to improve its operations and financial position; costs of materials and labor, including recent increases in the price of yarn and the cost of certain related fabrics; the company's ability to pass on the added cost of raw materials to its wholesale and retail customers; the company's ability to improve manufacturing efficiency at its production facilities; the company's ability to effectively manage inventory and inventory reserves; location of the company's facilities in the same geographic area; manufacturing, supply or distribution difficulties or disruptions; risks of financial nonperformance by customers; investigations, enforcement actions and litigation, including exposure from which could exceed expectations; compliance with or changes in U.S. and foreign government laws and regulations, legislation and regulatory environments, including environmental, immigration, labor and occupational health and safety laws and regulations; costs as a result of operating as a public company; material weaknesses in internal controls; interest rate and foreign currency risks; loss of U.S. import protections or changes in duties, tariffs and quotas and other risks associated with international business including disruption of markets and foreign supply sources and changes in import and export laws; technological changes in manufacturing, wholesaling, or retailing; the company's ability to upgrade its information technology infrastructure and other risks associated with the systems that are used to operate the company's online retail operations and manage the company's other operations; adverse changes in its credit ratings and any related impact on financing costs and structure; general economic and industry conditions, including U.S. and worldwide economic conditions; disruptions due to severe weather or climate change; and other risks detailed in the company's filings with the Securities and Exchange Commission, including the company's Annual Report on Form 10-K for the year ended December 31, 2010. The company's filings with the SEC are available at www.sec.gov. You are urged to consider these factors carefully in evaluating the forward-looking statements herein and are cautioned not to place undue reliance on such forward-looking statements, which are qualified in their entirety by this cautionary statement. The forward-looking statements speak only as of the date on which they are made and the company undertakes no obligation to publicly update such forward-looking statements to reflect subsequent events or circumstances.

American Apparel
John J. Luttrell, Chief Financial Officer
213-488-0226
or
Thomas M. Casey, Acting President
213-488-0226

Source: American Apparel, Inc.

News Provided by Acquire Media