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June 19, 2014

VIA E-MAIL AND FIRST CLASS MAIL

Craig S. Mordock
Jones Day LLP
3161 Michelson Drive, Suite 800
Irvine, California 92612-4408
Email: csmordock@jonesday.com

Re: ***Termination of Dov Charney by American Apparel, Inc.***

Dear Mr. Mordock,

We represent Dov Charney in connection with the Board of Director's purported termination and removal of him from his positions at American Apparel, Inc. ("Company" or "American Apparel"). The Company, through its Board, violated its legal and contractual obligations to Mr. Charney in numerous respects. The Board's actions have done a tremendous disservice to the Company, as well as causing substantial professional, reputational and financial injuries to Mr. Charney. Immediate action must be taken to minimize the already extensive and irreparable harm that the Board's wrongful conduct has caused.

As you are aware, yesterday the Board approached Mr. Charney suddenly and without warning, demanding that he agree "voluntarily" to resign from all positions with the Company that he founded, including without limitation Chairman, CEO, President and a member of the Board. The proposal was delivered at approximately noon and Mr. Charney was given a deadline to respond of approximately three hours. Later in the day, at approximately 4:30 p.m., the terms of the demand were changed and the time to respond was "extended" until 9:00 p.m.

Under the proposed terms, in exchange for his resignation and a release of claims, the Company was prepared to pay Mr. Charney a multi-million dollar severance and to hire him to serve as a consultant to the Company for an initial term of four years. But the Company made clear that any failure to accept its terms as proposed would result in dire consequences: namely, the immediate termination of Mr. Charney's employment with American Apparel "for cause," along with the issuance of public statements not only announcing the termination decision but also containing false and defamatory statements concerning Mr. Charney.

By presenting Mr. Charney with this absurd and unreasonable demand, the Company acted in a manner that was not merely unconscionable but illegal. For one thing, the Company denied Mr. Charney any meaningful opportunity to consider his options. There was no opportunity to negotiate; no ability to ask questions or determine the reasons behind the Company's actions; and no way for Mr. Charney even to consult with counsel to determine the best course in which to proceed.

Among other things, the Company's conduct constituted a blatant violation of the Mr. Charney's rights under the Age Discrimination in Employment Act ("ADEA"), which required the Company to provide twenty-one days within which to consider any proposed severance agreement. The proposed Separation Agreement that was delivered to Mr. Charney for signature states that Mr. Charney was "granted twenty-one (21) days after he [was] presented with this Agreement to decide whether or not to sign it." This statement obviously is false and the Company knew it to be false when presented to Mr. Charney; yet the Company demanded that Mr. Charney sign the Severance Agreement, thereby affirming the false statement as true.

When Mr. Charney properly rejected the Company's unlawful, coercive and pretextual attempt to extort his resignation, the Board purported to provide him with its "Notice of Intent to Terminate Employment" ("Notice"). This purported Notice is a sham and contains numerous false and misleading statements, both with respect to Mr. Charney's job performance and with respect to the purported investigation that supposedly preceded his termination.

As a threshold matter, we question the legitimacy and thoroughness of any investigation that did not involve any discussion whatsoever with Mr. Charney. No one ever spoke with Mr. Charney about the issues identified in the letter, even though he is the person with the most direct knowledge of what actually happened. More fundamentally, the charges that are leveled against Mr. Charney in the Notice are completely baseless. Most involve activities that occurred long ago (if at all) and about which the Board and the Company have had knowledge for years. None of Mr. Charney's alleged actions caused injury to the financial condition or business reputation of the Company, and none even comes close to constituting good "cause" for Mr. Charney's termination under the Employment Agreement. It is the Board's actions, not Mr. Charney's, that have harmed the Company.

Although the Company was contractually required to provide Mr. Charney with an opportunity to "cure" the alleged deficiencies in his performance, no such opportunity has been provided. See Employment Agreement § 7(a)(ii). To the

contrary, the Company has actively denied Mr. Charney any ability to address any performance issues by delivering its termination decision as a *fait accompli*. That the Board attempted to disguise its conduct against Mr. Charney as merely placing him on “leave” does not change the substance of its actions: it removed Mr. Charney from all of his positions at the Company immediately, it denied him any opportunity to cure any of the alleged performance issues specified in the notice, and it publicly announced its termination decision, stating that the decision would become final regardless of any cure in thirty days.

To make matters worse, the Company has undertaken a publicity campaign that is intended to destroy Mr. Charney’s reputation. After demanding that Mr. Charney abide by the confidentiality provisions in his Employment Agreement and insisting that the Notice itself was “confidential,” the Board has done anything but treat this matter confidentially. Instead, it immediately issued a press release filled with defamatory statements regarding Mr. Charney’s conduct at the Company. As demonstrated by the Board providing Mr. Charney with drafts of both the issued “termination press release” and an unissued “resignation press release,” it is clear that these press releases were not intended for any legitimate purpose, but were, in fact, designed to intimidate and pressure Mr. Charney into accepting the Board’s unreasonable and unlawful settlement demand.

Needless to say, unless these matters are addressed immediately, we intend to pursue legal action against the Company on Mr. Charney’s behalf. In light of the Board’s contractual breaches and associated misconduct, we believe that any and all expenses associated with such action must be borne by the Company. Under Section 17 of the Employment Agreement, the Company is obligated to indemnify Mr. Charney to the fullest extent permitted by law in connection with any action, suit or proceeding to which he may be made a party “by reason of his being or having been a director, officer or employee of the Company.” Here, the Board’s actions plainly arise from his positions within the Company, which means that Mr. Charney is entitled to indemnification.

We hereby demand the immediate scheduling of a meeting with the Board to address and to attempt to resolve these issues. The purpose of the meeting will be to negotiate a process whereby Mr. Charney will be fully reinstated to his positions within the Company and to attempt to negotiate a process whereby Mr. Charney’s business reputation can be restored. This meeting must occur no later than Monday, June 23, 2014. Please advise immediately whether you will agree to this demand.

Craig S. Mordock
June 19, 2014
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This letter is written without waiver of or prejudice to our client's rights and remedies, at law and/or in equity, all of which are hereby expressly reserved.

Very truly yours,

A handwritten signature in black ink, appearing to read "Patricia L. Glaser". The signature is fluid and cursive, with a large initial "P" and "G".

PATRICIA L. GLASER
of GLASER WEIL FINK JACOBS HOWARD AVCHEN & SHAPIRO LLP