

# American Apparel®

## Code of Business Conduct and Ethics

### 1. Introduction

American Apparel, Inc. and its subsidiaries (the “**Company**”) are committed to the highest standards of business conduct in our relationships with each other and with our customers, co-workers, suppliers, stockholders and others. This requires that we conduct our business in accordance with all applicable laws and regulations, and in accordance with the highest standards of business conduct. The Company’s Code of Business Conduct and Ethics (the “**Code**”) helps each of us in this endeavor by providing a statement of the fundamental principles and key policies and procedures that govern the conduct of our business.

In addition to the ethical guidelines included in this Code, there are many laws and regulations that affect us in the U.S. and foreign markets where we do business. Each of us must comply with the requirements of all applicable law. If a law conflicts with the Code or any Company policy, you must comply with the law. **Those who violate the law, the Code or Company policy will be subject to disciplinary action, up to and including suspension or termination of employment.** If you are in a situation which you believe may violate or lead to a violation of this Code, you should refer to the guidelines described under “Compliance with the Code” below and take appropriate action immediately.

### 2. Your Responsibility to the Company

All of us are expected to protect and enhance the reputation and assets of the Company by conducting the Company’s business in accordance with the highest ethical standards. Our conduct should reflect the Company’s values, demonstrate ethical leadership and promote a work environment that upholds the Company’s reputation for integrity, ethical conduct and trust.

As such, we ask that if you have questions, ask them; if you have ethical concerns, raise them; if you believe something to be suspicious or inconsistent with the Company’s best interests, report it to the General Counsel at [cgrayson@americanapparel.net](mailto:cgrayson@americanapparel.net) or contact the Company’s outside service, Ethics Point, at [www.ethicspoint.com](http://www.ethicspoint.com) or 1-866-384-4277. Honesty and integrity are cornerstones of ethical behavior and promote the trustworthiness and dependability that are essential to the lasting relationships we depend on as the foundation of the Company’s success. Each of us is responsible for helping foster a culture of ethical conduct through our own actions, which should embody the spirit of the Code at all times.

In our fast-paced and evolving business, each of us is challenged by a complex environment that sometimes requires quick responses under pressure. No written policy can definitively set forth the appropriate action for all business situations. Accordingly, the Code emphasizes a standard of ethical conduct that must permeate all business dealings and relationships, rather than a set of specific rules. You should consult your supervisor, the Human Resources Department or the Company’s General Counsel, as appropriate, whenever you have a question about the legality or ethical impact of a proposed or completed course of action or any events or circumstances that may be implicated by this Code.

### **3. Fair Treatment of Employees**

The Company has established comprehensive programs to ensure compliance with labor and employment laws, including equal employment opportunity policies and procedures, safety and health programs, and wage and hour compliance procedures. For further information on particular labor and employment compliance policies, see your supervisor or contact the Human Resources Department.

In addition to compliance with applicable laws regarding workplace conduct, the Code requires that all of the Company's employees, officers and directors conduct themselves in a manner that is respectful of others in the workplace and permits others to carry out their duties free from harassment, bullying, threats, coercion and intimidation.

#### *Respecting One Another*

The way we treat each other and our work environment impacts the way we do our jobs. All employees want and deserve a workplace where they are respected and appreciated. Everyone who works for the Company must contribute to the creation and maintenance of such an environment, and supervisors and managers have a special responsibility to foster a workplace that supports honesty, integrity, respect and trust.

#### *Nondiscrimination and Equal Employment Opportunity*

The Company is an equal opportunity employer. We embrace and value a diverse workforce and pledge to provide equal employment opportunity to all job applicants and employees. We will not tolerate discrimination against applicants or employees on any impermissible basis including race, religion (including religious dress and grooming practices), color, gender, age, marital status, ancestry, national origin, sexual orientation, sex (including pregnancy, childbirth, or related medical conditions), family and medical care leave status, marital status, gender expression, gender identity, citizenship status, disability, medical condition, genetic information, military status, veteran status, or any other basis protected by federal or state, or local law. This policy applies to all aspects of employment, including recruitment, hiring, promotions, training and career development, compensation, termination, and any other term or condition of employment. This also means we will treat all Company employees, customers, suppliers and other people with whom we come in contact with respect, dignity and honesty.

#### *Harassment, including Sexual Harassment and Abusive Conduct*

We will not tolerate the use of discriminatory slurs, or any other remarks, jokes or conduct that, in the judgment of the Company, create an offensive or hostile work environment or otherwise constitute abusive conduct. The Company does not tolerate harassment, including abusive conduct, of, or directed towards, any of our employees, whether by another employee, supervisor, officer, director, or a third-party, such as a vendor or customer. Harassment, including abusive conduct, of, or directed towards, third parties by Company employees is also prohibited. Any form of harassment on the basis of race, religion (including religious dress and grooming practices), color, gender, age, marital status, ancestry, national origin, sexual orientation, sex (including pregnancy, childbirth, or related medical conditions), family and medical care leave status, marital status, gender expression, gender identity, citizenship status, disability, medical condition, genetic information, military status, veteran status, or any other basis protected by federal or state, or local law is a violation of the Code and will be treated as a disciplinary matter. Any form of abusive conduct is also a violation of the Code and will be treated as a disciplinary matter.

For reference, abusive conduct is conduct that a reasonable person would find hostile, offensive and unrelated to the Company's legitimate business interests, including (i) verbal abuse (for example, derogatory remarks, insults and epithets), (ii) verbal or physical conduct that a reasonable person would find threatening, intimidating or humiliating and (iii) the sabotage or undermining of a person's work performance.

Each employee, officer and director must comply at all times with the Company's Policy Against Harassment and Discrimination. This policy has been distributed to each employee, officer and director of the Company.

#### *Reporting Responsibilities and Procedures*

If an employee believes that he or she has been discriminated against, harassed, or retaliated against in violation of the Code, Company policy and/or the law, or if an employee has witnessed what he or she believes to be discrimination, harassment, or retaliation, the employee should promptly report the incident to Human Resources in person, by phone, or by e-mail to: [humanresourceemergency@americanapparel.net](mailto:humanresourceemergency@americanapparel.net). Complaints of discrimination, harassment and retaliation will be investigated promptly and thoroughly and will be kept confidential to the extent possible, consistent with the Company's obligation to conduct an adequate investigation. Any employee, officer or director found to have engaged in sexual harassment or any other kind of abusive behavior shall be subject to disciplinary action, which may include termination. No person who in good faith makes a report or claim under the Code or Company policy shall be retaliated against.

#### **4. Fair Dealing**

The Company depends on its reputation for quality, service and integrity. The way we deal with our customers, co-workers, suppliers, stockholders and others shapes our reputation, builds long-term trust and ultimately determines our success. You should endeavor to deal fairly with the Company's customers, competitors, suppliers and employees. We must never take unfair advantage of others through manipulation, concealment, abuse of privileged information, misrepresentation of material facts or any other unfair dealing practice.

#### **5. Protection and Proper Use of Company Assets**

Each of us has a duty to protect the Company's property and ensure its efficient use. Acts of dishonesty against the Company or its customers involving theft, destruction or misappropriation of property, including inventory, money, office equipment or supplies or any other items of value, are prohibited. Falsification, alteration or substitution of records for the purpose of concealing or aiding such acts is also prohibited. All Company property should be used for legitimate business purposes.

Each of us has an obligation to protect the Company's valuable intellectual property, including trademarks and copyrights such as our logos, the name "American Apparel," company publications and software programs developed for or by the Company, as well as intellectual property licensed from third-parties.

Each of us is responsible for using Company intellectual property properly and in a manner consistent with the highest standards of ethical business conduct. Adhering to these guidelines with respect to trademarks, copyrights and computer use is very important, as violation may result in significant civil and even criminal penalties for both you and the Company. You must inform the General Counsel if you become aware of infringement of Company intellectual

property by others or if you are unsure about a proposed use of Company trademarks or copyrights in materials for public dissemination.

Employee use of all Company electronic information resources, including personal computers, laptops, mobile devices (including company cell phones and tablet computers), networked services, Internet (including web surfing), e-mail access, and cloud storage systems is restricted to legitimate business purposes only and must at all times comply with all Company policies and applicable laws, including those relating to intellectual property, privacy, defamation (libel and slander) and unfair competition.

The Company reserves all rights to access, monitor, inspect, disclose and expunge all electronic files and records on Company resources (including mobile devices and laptops), including information regarding network transmission patterns, or to reconstruct or retrieve such information after deletion. While the Company will not, as a routine matter, review the content of electronic messages or other data, files, or records generated, stored or maintained on Company electronic information systems, the Company retains the right, within its discretion, to access, monitor, inspect, disclose, expunge or retain the content of electronic messages and other data, files, or records generated, stored, or maintained by employees at any time without prior notification, for legitimate reasons.

## **6. Conflicts of Interest**

A conflict of interest arises when your private interest interferes in any way, or appears to interfere, with the interests of the Company. A conflict situation can arise when an employee, officer or director takes actions or has interests that may make it difficult to perform his or her Company work objectively and effectively. Conflicts of interest also may arise when an employee, officer or director (or family members of such persons) may receive or actually receives an improper personal benefit as a result of his or her position in the Company. The personal benefits may be direct or indirect, financial or nonfinancial, through family connections, personal associations, or otherwise. For purposes of this Code, "family members" include a person's spouse or life-partner, parents, children (whether such relationships are by blood or adoption), siblings, mothers- and fathers-in-law, sons and daughters-in-law, brothers- and sisters in-law, and anyone (other than domestic employees) who shares such person's home.

Business or personal relationships that would create a conflict of interest are prohibited as a matter of Company policy, except as approved by the board of directors of American Apparel, Inc. (the "**Board**") or, except with respect to executive officers or directors, approved in writing by the General Counsel. Such relationships are prohibited because they divide your loyalty between the Company and that organization. Conflicts of interest may not always be clear cut, so if you have a question, you should consult with higher levels of management or the General Counsel.

Any employee, officer or director who becomes aware of an actual or potential conflict of interest should bring it to the attention of a supervisor, manager or other appropriate personnel or follow the procedures described under "Compliance with the Code" below.

Although we cannot list all possible conflicts of interest which could develop, the following are some common examples of actual, apparent or potential conflicts of interest:

- *Assisting a Competitor or Competing Against the Company.* It is almost always a conflict of interest for a Company employee to work for a competitor, customer or

supplier while employed with the Company. Without the Company's consent you may not: (a) work for such an organization as an employee, consultant or member of its board of directors; (b) market or provide assistance to an organization that markets products in competition with the Company's current or proposed product offerings or the products offered by the licensees of the Company; or (c) have any ownership interest in any enterprise which competes with any business of the Company, except as a holder of less than 1% of publicly traded stock in a company.

- *Supplying the Company.* Generally, you may not be a supplier or vendor to the Company, or represent or work for a supplier or vendor to the Company, while you work for the Company. In addition, you may not accept money or benefits of any kind for any advice or services you may provide to a supplier in connection with its business with the Company.
- *Relationship of the Company with Third Parties.* You may not engage in any conduct or activities that are inconsistent with the Company's best interests or that disrupt or impair the Company's relationship with any person or entity with which the Company has or proposes to enter into a business or contractual relationship.
- *Compensation from Non-Company Sources.* You may not accept compensation, in any form, for services performed for the Company from any source other than the Company.
- *Loans from the Company.* Loans by the Company to, or guarantees of obligations of, employees, officers, directors and their family members may also create conflicts of interest and are only permitted when consistent with Company policy and approved in writing by the General Counsel.
- *Favoritism and Nepotism.* The Company adheres to the principals of equal opportunity employment, and it is a violation of Company policy for any decision regarding the hiring, promotion, compensation, or employment termination of an employee of the Company to be made by an individual whose decision would likely be affected by any family or personal relations with such employee. Please see the "Personal or Romantic Relationships Between Personnel" policy at Section 7, below.
- *Someone Close to You Working in the Industry.* You may find yourself in a situation where your spouse, another member of your immediate family, or someone else with whom you are close is a competitor or supplier of the Company or is employed by one. Such situations call for extra sensitivity to security, confidentiality and conflicts of interest. There are several factors to consider in assessing such a situation. Among them: the relationship between the Company and the other company; the nature of your responsibilities as a Company employee and those of the person close to you; the access each of you has to your respective employer's confidential information, and whether the relationship creates the appearance of a conflict of interest. To remove any potential conflict of interest, you should review your specific situation with your supervisor to assess the nature and extent of any concern and how it can be resolved. Frequently, any risk to the Company's interest is sufficiently remote

that your supervisor need only remind you to guard against inadvertently disclosing the Company's confidential information. However, in some instances, a change in the job responsibilities of one of the people involved may be necessary.

- *Gifts, Entertainment and Improper Payments.* You and members of your family may not request or accept from, or offer, promise or give to, any person or entity dealing or desiring to deal with the Company, any payments, gifts, gift cards, discount cards, entertainment, merchandise, services, travel, lodging, or any other forms of compensation for personal benefit. For these purposes, a "gift" generally does not include articles of nominal value ordinarily used for sales promotion, and "entertainment" does not include ordinary business meals or reasonable entertainment (including tickets for sports, concerts or similar events) considered to be a normal part of a business relationship that is accepted only on a very infrequent basis and that does not detract or have the appearance of detracting from the integrity of the relationship. Furthermore, in deciding whether or not it is appropriate to accept entertainment from a vendor or other entity, you should consider if you can reciprocate with entertainment at the same or a similar level before being entertained again by that vendor or other entity. Participation in entertainment activities should preferably be with a representative of the vendor or other entity in attendance at the activity. Giving or receiving any payment or gift in the nature of a bribe, kickback or other improper influence is absolutely prohibited.

## **7. Personal or Romantic Relationships Between Personnel**

The Company is committed to preventing sexual harassment in the workplace, avoiding conflicts of interest, and fostering a comfortable working environment for everyone in a Company workplace.

In accordance with those principles, the Company has adopted two rules:

- No management-level employee may make sexual advances, welcome or unwelcome, toward any subordinate, regardless of whether the subordinate reports to the management employee, either directly or indirectly.
- No employee who has a personal relationship or romantic relationship with another employee may be in a position with any perceived or actual influence over the other's terms of employment.
  - "Company employees," and "personnel" for the purposes of this policy only, should be read expansively to include employees, consultants, and any other party working on behalf of the Company who report to or works from a Company workplace.
  - a "personal relationship" includes any type of family relationship (by blood or marriage) or residing in the same household (such as a roommate).
  - a "romantic relationship" includes both casual dating and committed relationships.
  - "perceived" influence includes the appearance of influence, even if no direct reporting relationship exists or no actual influence exists
  - "actual" influence includes indirect influence (through another person) and direct influence (even if there are other decision-makers involved)

- “terms of employment” includes all terms or conditions of employment, including compensation, assignments, performance reviews, recommendations for promotion or demotions, work-related opportunities, and discipline
- To ensure the consistent and fair administration of this policy, all personal and/or romantic relationships between Company personnel where one person may have perceived or actual influence over the other’s terms of employment must be disclosed by the participants to the Human Resources Department.

Employees who fail to report a personal and/or romantic relationship as required by this policy will be subject to discipline. While confidentiality cannot be guaranteed, Human Resources will handle such disclosures in a discreet manner.

When a relationship is disclosed to Human Resources, the Company will determine, in its sole discretion, whether there is or may be a reasonable concern for favoritism, employee morale, confidentiality, discrimination, security, safety, a conflict of interest, or other business conflict. If a conflict of interest or other business concern exists, it will be addressed by Human Resources. Appropriate action may include, but is not limited to, an employee's transfer to another available position, if one exists.

Even in the case when a relationship between personnel does not involve a conflict of interest, employees are reminded of the intersection between the Company's Sexual Harassment policy and workplace conduct. Unwelcome advances between Company personnel, even outside the workplace, is not professional behavior and may violate Company policy. Company personnel should never engage in any public displays of affection in the workplace, which may make others uncomfortable. If any harassing conduct or unwelcome advances occur, the aggrieved employee should utilize the procedures for reporting sexual harassment.

## **8. Confidentiality**

Employees, officers and directors have access to a variety of confidential information while employed at the Company or serving as a director. Confidential information includes all nonpublic information that might be of use to competitors, or, if disclosed, harmful to the Company or its customers. Employees, officers and directors have a duty to use all reasonable efforts to safeguard nonpublic information in the Company's possession, and may not disclose or use nonpublic information about the Company or any other company, unless (i) required by law, (ii) disclosure is required for legitimate Company business purposes, (iii) disclosure of the information is authorized in accordance with Company policies, or (iv) appropriate steps have been taken to prevent misuse of that information (including entering an appropriate nondisclosure agreement that restricts the disclosure and use of the information, if applicable). This restriction also applies to internal communications within the Company and to communications with agents of the Company. An employee's, officer's or director's obligation to protect confidential information continues after his or her service with the Company ends. Unauthorized disclosure of confidential information could cause harm to the Company and could result in legal liability to you and the Company.

Members of the Board (and Board observers) also shall be subject to such additional Confidentiality policies applicable to Board members as adopted by the Company from time to time (the “**Board Confidentiality Policy**”). Each member of the Board (and Board observer) shall be required to annually sign a statement acknowledging that he or she has read the Board Confidentiality Policy and agrees to abide by it. Any Board member (or Board observer) found

to have disclosed confidential information in violation of the Code or the Board Confidentiality Policy will be subject to such consequences as a majority of the other Board members shall determine at any regular or special meeting of the Board.

## **9. Insider Trading**

You are prohibited by Company policy and the law from buying or selling securities of the Company, clients or other companies at a time when in possession of “material nonpublic information.” Passing such information on to someone who may buy or sell securities – known as “tipping” – is also illegal. The prohibition applies to Company securities and to securities of other companies if you learn material nonpublic information about other companies in the course of your duties for the Company.

Do not disclose material non-public information to anyone, including co-workers, unless the person receiving the information has a legitimate need to know the information for purposes of carrying out the Company’s business. If you leave the Company, you must maintain the confidentiality of such information until it has been adequately disclosed to the public by the Company.

The above is only a summary of the Company’s prohibition on insider trading and should not be considered comprehensive. In order to assist you with compliance with laws against insider trading, the Company has adopted a specific policy governing trading in securities in the Company. This policy has been distributed to each employee, officer and director of the Company. If you have any questions, please consult the General Counsel.

## **10. Corporate Opportunities**

Employees, officers and directors owe a duty to the Company to advance its legitimate interest when the opportunity to do so arises. Employees, officers and directors are prohibited from taking for themselves personally or referring to others those opportunities that they become aware of because of their position with the Company or through the use of corporate property or information, unless approved by the Board or, except with respect to executive officers or directors, approved in writing by the General Counsel. Such an opportunity should be considered an investment opportunity for the Company in the first instance. No employee may use corporate property, information or position for personal gain, and no employee may compete with the Company directly or indirectly without proper authorization.

## **11. Company Books and Records**

It is Company policy to make full, fair, accurate, timely and understandable disclosure in compliance with all applicable laws and regulations in all reports and documents that the Company files with, or submits to, the Securities and Exchange Commission and in all other public communications made by the Company.

In the course of performing your duties as an employee, officer or director of the Company, you must complete all Company documents accurately, truthfully, and in a timely manner, including all timesheets, travel and expense reports. When applicable, you are responsible for ensuring that documents are properly authorized. You must record the Company’s financial activities in compliance with all applicable laws and accounting practices, and fully reflect all Company transactions, as appropriate. In addition, the Company requires that you comply with all internal procedures established by the Company at all times. The making of false, artificial or misleading entries, records or documentation is strictly prohibited. No undisclosed or

unrecorded bank account, fund or asset may be established or maintained. You must never create a false or misleading report or request or make a payment or establish an account on behalf of the Company with the understanding that any part of the payment or account is to be used for a purpose other than as described by the supporting documents. You must never sign another's name or sign on behalf of anyone other than yourself, unless authorized to do so and only by properly indicating that you are signing on behalf of someone other than yourself. You are expected to provide truthful, accurate and complete information, upon request, to the Company's attorneys, auditors and accountants (both internal and external). You must never make, or cause to be made, any false or misleading statement in connection with any examination or audit of the Company's books and records.

## **12. Record Retention**

In the course of its business, the Company produces and receives large numbers of records. Numerous U.S. and foreign laws require the retention of certain Company records for various periods of time. The Company is committed to compliance with all applicable laws and regulations relating to the preservation of records. The Company's policy is to identify, maintain, safeguard and destroy or retain all records in the Company's possession on a systematic and regular basis. Under no circumstances are Company records to be destroyed selectively or to be maintained outside Company premises, except in those instances where Company records may be temporarily brought home by employees working from home in accordance with approvals from their supervisors or applicable policies about working from home or other remote locations. Should you receive instructions to preserve certain Company records in connection with a pending, threatened or active litigation or disputed matter, then those instructions must be followed until you are advised by the General Counsel as to how to proceed.

## **13. Safety in the Workplace**

The safety and security of employees is of primary importance. You are responsible for maintaining our facilities free from recognized hazards and obeying all Company safety rules. Workplaces should be maintained in a clean and orderly state to encourage efficient operations and promote good safety practices.

### *Weapons and Workplace Violence*

No employee may bring firearms, explosives, incendiary devices or any other weapons into the workplace or any work-related setting, regardless of whether or not employees are licensed to carry such weapons. Similarly, the Company will not tolerate any level of violence in the workplace or in any work-related setting. Violations of this policy must be referred to your supervisor, manager or our General Counsel immediately. Threats or assaults that require immediate attention should be reported to the police at 911.

### *Drugs and Alcohol*

The Company intends to maintain a drug-free work environment. Except at approved Company functions, you may not use, possess or be under the influence of alcohol on Company premises.

You cannot use, sell, attempt to use or sell, purchase, possess or be under the influence of any illegal drug on Company premises or while performing Company business on or off the premises.

You cannot use, sell, attempt to use or sell, purchase, possess or be under the influence of any legal or prescription drug in a manner inconsistent with the law on Company premises or while performing Company business on or off the premises.

You cannot work while impaired by the use of a legal drug whenever such impairment might: endanger your safety or the safety of any other person, pose a risk of damage to property, or adversely affect your job performance or the efficient operation of the Company's business.

#### **14. Payments to Government Personnel**

The U.S. Foreign Corrupt Practices Act prohibits giving anything of value, directly or indirectly, to officials of foreign governments or foreign political candidates in order to obtain or retain business. It is strictly prohibited to make illegal payments to government officials of any country.

In addition, the U.S. government has a number of laws and regulations regarding business gratuities which may be accepted by U.S. government personnel. The promise, offer or delivery to any official or employee of the U.S. government of a gift, favor or other gratuity in violation of these rules would not only violate Company policy, but could also be a criminal offense. State and local governments, as well as foreign governments, may have similar rules. You should contact the General Counsel if you require guidance in this area.

#### **15. Disclosure Obligations and Procedures**

The Company's policy is to release data of public importance at the earliest appropriate time consistent with the need to both maintain confidentiality of information before final decisions are made and to avoid endangering the Company's business through disclosure of information potentially advantageous to competitors. All public statements, oral or written, must be accurate, with no material omissions. Information that could reasonably be expected to have an impact on the market for the Company securities may be released only upon approval by the Chief Executive Officer, Chief Financial Officer or General Counsel. All inquiries from financial analysts, media representatives, or financial consultants should also be directed to the Chief Financial Officer or the General Counsel. Financial information and results, including projections, forecasts, and forward looking statements, should not be supplied in business proposals, presentations, or advertising, presented to the press or released to local media without express prior approval and review by the Chief Executive Officer, Chief Financial Officer or General Counsel.

You are reminded that all online and e-mail activities, intentionally or not, are potentially public in nature. We must never act in a way that would bring liability, loss of credibility or embarrassment to the Company. Company employees should consider the impact of any comments made through websites and social media services on the Company, its customers, suppliers and other employees and should take care to exercise good judgment and avoid making potentially harmful statements or divulging confidential information.

#### **16. Waivers of the Code**

The Company will waive application of the policies set forth in this Code only where circumstances warrant granting a waiver. Waivers of the Code for directors and executive officers may be made only by the Board or the Audit Committee of the Board and must be promptly disclosed as required by law or regulation. Other waivers must be approved in writing by the General Counsel.

## **17. Compliance with the Code**

The Company takes the Code very seriously. You must understand the Code and take responsibility for seeking the advice of your supervisor or other appropriate officials of the Company if you need clarification on any point.

The Code contains policies that are in addition to the Employee Handbook, but in some places summarizes or supplements policies in the Employee Handbook. The Code shall not limit the construction of a policy in the Employee Handbook, and similarly, the Employee Handbook shall not limit the construction of a policy in the Code of Business Conduct and Ethics.

### *Code Acknowledgement*

On an annual basis, you are required to acknowledge that you have read, understand and are in compliance with the Company's Code of Business Conduct and Ethics and that you agree that, as a condition of your employment or engagement by the Company, you will abide by the Code and any related policies, as may be amended, any applicable supplements, any specific policies referenced therein, and any additional or amended policies and procedures applicable to you as issued from time-to-time by the Company. You further acknowledge that you understand the laws and regulations applicable to your job responsibilities, including those pertaining to refraining from misuse of material non-public information.

### *Reporting Violations*

If you know of or suspect a violation of applicable laws, rules or regulations, accounting standards, internal accounting controls, the Code or the Company's related policies, the Company urges that you immediately report that information to the General Counsel. If you wish to make a confidential report, you may contact the Company's outside service, Ethics Point, at [www.ethicspoint.com](http://www.ethicspoint.com) or 1-866-384-4277. Questions regarding the Code may be directed to [cgrayson@americanapparel.net](mailto:cgrayson@americanapparel.net). No one will be subject to retaliation because of a good faith report of a concern, suspected misconduct or violation.

### *Anti-Retaliation*

The Company will not tolerate unlawful reprisal or retaliation, of any kind, against any employee who reports, in good faith, what he or she reasonably believes to be a violation of state or federal law, Company policy or this Code. "Good faith" does not mean that you have to be right – but it does mean that you believe that you are providing truthful information regarding an act you reasonably believe to be a violation of our legal or ethical obligations. In particular, no Company employee may be discharged, demoted, threatened or discriminated against, or otherwise subjected to adverse treatment, in any manner, for:

- reporting to the Company, in good faith a possible violation of state or federal law, Company policy or the Code that has occurred, is ongoing or is about to occur;
- reporting to any state or federal law enforcement agency, including the Securities and Exchange Commission, in good faith, a possible violation of state or federal law or of the Code that has occurred, is ongoing or is about to occur;
- initiating, testifying in or assisting in any investigation or judicial or administrative action by any state or federal law enforcement agency, including the Securities and Exchange

Commission, of a possible violation of state or federal law or of the Code that has occurred, is ongoing or is about to occur; or

- making disclosures that are required or protected under the Sarbanes-Oxley Act of 2002, the Securities Exchange Act of 1934, the Dodd-Frank Act of 2010 or any other law, rule or regulation subject to the jurisdiction of the Securities and Exchange Commission.

Diligent enforcement of anti-retaliation measures is vital to the success of the reporting process because employees must feel they can report problems without fear of reprisals. Company employees who experience or witness retaliation in violation of this section are encouraged to report it immediately to a supervisor, manager or the General Counsel.

Allegations of retaliation will be promptly and thoroughly investigated, and if it is determined that retaliation occurred, any person who has engaged, directly or indirectly, in any act of retaliation that violates the Code will be subject to appropriate disciplinary action, up to and including suspension and termination. Retaliation may also be a violation of the law, and as such, could subject both the individual offender and the Company to legal liability.

#### *Disciplinary Action*

Every employee, executive officer, and director of the Company is responsible for contributing to the creation of a culture of ethical conduct at the Company by acting in accordance with the Code at all times. The Company intends to use every reasonable effort to prevent the occurrence of conduct not in compliance with the Code and to halt any such conduct that may occur as soon as reasonably possible after its discovery. Company employees and officers who violate the Code and other the Company policies and procedures may be subject to disciplinary actions, which may include suspension or termination. Disciplinary measures will also apply to anyone who directs or approves infractions or has knowledge of them and does not move promptly to report and correct violations of the Code in accordance with Company policies. In addition, persons who violate the law during the course of their employment may be subject to criminal and civil penalties, as well as payment of civil damages to others.

The Board shall determine, or designate appropriate persons to determine, appropriate actions to be taken in the event of violations of the Code by the Company's directors and officers. Such actions shall be reasonably designed to deter wrongdoing and to promote accountability for adherence to the Code and may include written notice to the individuals involved that the Board has determined that there has been a violation, censure by the Board, demotion or re-assignment of the individual involved, suspension with or without pay or benefits and termination of the individual's employment. In determining what action is appropriate in a particular case, the Board or the Board's designee shall take into account all relevant information, including the nature and severity of the violation, whether the violation appears to have been intentional or inadvertent, whether the individual in question was advised prior to the violation as to the proper course of action or sought out such advice in accordance with the Code and Company policy and whether or not the individual in question had committed other violations in the past.

#### *No Rights Created*

The Code is a statement of policies for individual and business conduct and does not, in any way, constitute an employment contract, an assurance of continued employment or a guarantee of continuing Company policy. The Company reserves the right to amend, supplement or

discontinue the Code and the matters addressed herein, without prior notice, at any time. The Code is not intended to and does not create any rights in any employee, director, customer, supplier, competitor, stockholder or any other person or entity.

