

1 PAUL HASTINGS LLP
ELENA R. BACA (SB# 160564)
2 elenabaca@paulhastings.com
DENNIS S. ELLIS (SB# 178196)
3 dennisellis@paulhastings.com
NICHOLAS J. BEGAKIS (SB# 253588)
4 nickbegakis@paulhastings.com
SCOTT KLAUSNER (SB# 292070)
5 scottklausner@paulhastings.com
515 South Flower Street
6 Twenty-Fifth Floor
Los Angeles, CA 90071-2228
7 Telephone: (213) 683-6000
Facsimile: (213) 627-0705

8 Attorneys for Defendants
9 American Apparel, Inc. and Colleen Brown

10 SUPERIOR COURT OF THE STATE OF CALIFORNIA
11 COUNTY OF LOS ANGELES

13 DOV CHARNEY, an individual,
14 Plaintiff,
15 v.
16 AMERICAN APPAREL, INC., a Delaware
17 corporation; COLLEEN BROWN, an
individual; and DOES 1 to 50, inclusive,
18 Defendants.

CASE NO. BC581602

**DECLARATION OF COLLEEN BROWN
IN SUPPORT OF AMERICAN APPAREL
AND BROWN'S SPECIAL MOTION TO
STRIKE PURSUANT TO CAL. CODE OF
CIV. PROC. § 425.16 ET SEQ.**

Date: September 30, 2015
Time: 8:45 a.m.
Dept.: 14
Judge: Hon. Terry A. Green

[Notice of Motion and Motion; Memorandum of
Points and Authorities in support of Anti-SLAPP
Motion; and Request for Judicial Notice filed and
served concurrently herewith]

FILED
Superior Court of California
County of Los Angeles

JUN 19 2015

Sherri R. Carter, Executive Officer/Clerk
By M. Soto, Deputy
Moses Soto

1 DECLARATION OF COLLEEN BIRDNOW BROWN

2 I, Colleen Birdnow Brown, hereby declare and state as follows:

3 1. I am the Chairperson of the Board of Directors of American Apparel, Inc.
4 (“American Apparel” or the “Company”) and have held that position since December 2014. I
5 have sat on the Company’s Board of Directors (the “Board”) since August 2014. I was a member
6 of the Company’s Suitability Committee (as discussed in detail below) and I also sit on the
7 Company’s Nominating Committee and Corporate Governance Committee (which I previously
8 chaired) and its Audit Committee. In addition to serving as the Chairperson of the Board of
9 American Apparel, I am a board member of TrueBlue, Inc. and serve on that company’s
10 nominating and corporate governance committee, as well as its compensation and technology
11 committees. From 2005 through approximately August of 2013, I was a Director, President and
12 Chief Executive Officer of Fisher Communications, Inc. Fisher Communications, Inc. was a
13 leading provider of ABC, CBS, NBC and FOX affiliated television stations, radio stations and
14 interactive networks. I have personal knowledge of the facts set forth below, and if called as a
15 witness, I would and could testify competently thereto.

16 2. In my capacity as a Director of American Apparel and a member of the Audit
17 Committee and the Suitability Committee, I have reviewed documents related to the investigation
18 of Plaintiff Dov Charney (“Mr. Charney”). I have reviewed and am familiar with minutes of
19 Board meetings that occurred prior to my appointment. These minutes were taken in the ordinary
20 course and scope of the meetings of the Board and its committees, were made at or near the time
21 of the meetings reflected therein, and are maintained in the records kept by the Board.

22 3. Based upon my review of the minutes of Board meetings, I understand that, in the
23 spring of 2014, the Company’s Audit Committee launched an investigation into alleged
24 misconduct by Mr. Charney. During the investigation, the facts uncovered by the Audit
25 Committee concerning Mr. Charney led the Company’s independent directors to recommend that
26 interim action be taken against him before the investigation was completed.

27 4. Based upon my review of the minutes of the meeting of the Board that took place
28 on June 18, 2014, I am aware that the independent directors of the Company presented

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1 Mr. Charney with two options: remain on as a paid consultant for the Company without any
2 supervisory or financial authority, or be suspended pending completion of the ongoing
3 investigation. When Mr. Charney and the Board were not able to reach an agreement regarding
4 either option, the Board unanimously voted to suspend Mr. Charney pending completion of the
5 investigation. I understand that the Board offered Mr. Charney a consulting role with American
6 Apparel in the hopes of ensuring Mr. Charney's departure from the Company would be smooth
7 and uneventful.

8 5. Mr. Charney's suspension was effective as of June 18, 2014, and formalized in a
9 letter (the "Suspension Letter"), a true and correct copy of which is attached hereto as Exhibit A.
10 The Suspension Letter identified certain misconduct by Mr. Charney, including, but not limited
11 to, the following:

12 (a) Mr. Charney was "aware of, but took no steps to prevent an employee
13 under [his] direct supervision and control from creating and maintaining false, defamatory and
14 impersonating blog posts about former American Apparel employees";

15 (b) Mr. Charney "presented significant severance packages to numerous
16 former employees," (paid for by the Company itself and not Mr. Charney) in order to ensure that
17 Mr. Charney's "misconduct vis-a-vis these employees would not subject [him] to personal
18 liability";

19 (c) Mr. Charney "repeatedly engaged in conduct that violated the Company's
20 sexual harassment and anti-discrimination policy," and "engaged in conduct that repeatedly put
21 [himself] in a position to be sued by numerous former employees for claims that include
22 harassment, discrimination and assault";

23 (d) Mr. Charney "made derogatory and disparaging comments directed at
24 persons of certain ethnicities or related to their gender, sexual orientation or religious persuasion
25 that [were] discriminatory and offensive and . . . not in accordance with Company policies"; and

26 (e) Mr. Charney "used corporate assets in an inappropriate manner and for
27 personal, non-business reasons without approval of the Board."
28

1 The Audit Committee's independent counsel, Jones Day (which never served as outside general
2 counsel to the Company), retained FTI Consulting, Inc. ("FTI") to assist in the investigation into
3 Mr. Charney's alleged wrongdoing.

4 6. Based upon my review of documents maintained by the Board, I am aware that on
5 or about July 9, 2014, Mr. Charney resigned as a director of the Company pursuant to an
6 agreement among Mr. Charney, the Company, and Standard General L.P. (and affiliated funds)
7 (the "Standstill Agreement"). A true and correct copy of the Standstill Agreement is attached
8 hereto as Exhibit B. Pursuant to that agreement, to which Mr. Charney was a party, a "Suitability
9 Committee" of the Board, which was ultimately composed of myself and two other independent
10 directors, assumed oversight and control of the ongoing investigation into Mr. Charney's conduct
11 that was being conducted by FTI.

12 7. On December 15, 2014, I attended a meeting at which the Suitability Committee
13 voted unanimously that Mr. Charney was not suitable to return to the Company as CEO or serve
14 as an officer or employee of the Company, and the Board voted that Mr. Charney should be
15 terminated for cause. The Suitability Committee met several times between
16 August 2014 and December 2014 for the purpose of reviewing the extensive evidence uncovered
17 during the course of the investigation and considering whether Mr. Charney was fit to return to
18 the Company. Pursuant to the terms of the Standstill Agreement, the Suitability Committee also
19 invited Mr. Charney and his counsel to attend a preliminary meeting on September 29, 2014, at
20 which time the Suitability Committee, Jones Day, and FTI reviewed with Mr. Charney and his
21 counsel the evidence that had then been collected. The evidence reviewed therein was
22 subsequently made available for Mr. Charney and his counsel to review further.

23 8. The evidence collected in the investigation concerned a number of topics including
24 Mr. Charney's involvement in the "Impersonation Blogs" described below, and the resulting
25 litigation; Mr. Charney's sexual liaisons with employees and models, and the resulting litigation;
26 Mr. Charney's verbal abuses and physical assaults on employees, and the resulting litigation; Mr.
27 Charney's use of Company funds to pay personal legal fees; Mr. Charney's receipt of loans and
28 advances without prior approval; and Mr. Charney's practice of removing or directing the

1 removal of cash from American Apparel retail stores without documenting the business use of
2 such funds. In short, the evidence (which was voluminous) corroborated the key allegations of
3 misconduct asserted against Mr. Charney in the Suspension Letter and revealed an abundance of
4 newly discovered employee abuse and sexual and financial misdeeds.

5 **The “Impersonation Blogs”**

6 9. As alleged in several legal proceedings against the Company, Mr. Charney
7 encouraged American Apparel employee Kyung Chung to create internet blogs in the names of
8 former Company employees and models. These blogs were created in an effort to retaliate
9 against women who made accusations against Mr. Charney. The blogs purported to include
10 statements from employees regarding their sexual harassment claims against the Company that
11 made it look like the sexual harassment suits were baseless and extortionate. Additionally, the
12 blogs featured nude or semi-nude photographs of the women being impersonated on the blogs—
13 photos obtained from Mr. Charney’s devices. Several of these blogs resulted in legal proceedings
14 against the Company. In one such action, Mr. Charney provided testimony expressing his
15 approval of the blogs. The Suitability Committee reviewed transcripts of Mr. Charney’s
16 testimony in which he stated that he was “proud” of Ms. Chung for creating the Impersonation
17 Blogs, noting “I am proud of [Chung]. Let’s be clear. Proud.” When asked why he failed to
18 discipline Ms. Chung, Mr. Charney said that she “made an effort to protect my honor. The word
19 discipline is not in the realm. What’s in the realm is a hug and a thank you.” The Impersonation
20 Blogs resulted in multi-million dollar settlements and awards paid by the Company. The
21 Impersonation Blogs that involved at least four former employees/models: Kimbra Lo, Tesa
22 Lubans DeHaven, Irene Morales and Alyssa Ferguson. Each of these individuals brought claims
23 against Mr. Charney, Ms. Chung and the Company.

24 10. Kimbra Lo was an employee of the Company and also worked as a model. The
25 Kimbra Lo Impersonation Blog, which featured nude photographs of Ms. Lo, was created in an
26 attempt to retaliate against Ms. Lo for reporting Mr. Charney’s inappropriate behavior including,
27 but not limited to, Mr. Charney’s sexual assault of Ms. Lo. Incredibly, this was done even though
28 Ms. Lo had contacted the police, and informed them (as later recorded in a police report) that

1 Mr. Charney sexually assaulted her. The assault occurred after she had left the Company and
2 Mr. Charney summoned her to his residence to discuss her return to the Company. Ms. Lo
3 described the assault in a detailed report filed with the Los Angeles Police Department.

4 11. Kimbra Lo pursued claims in an arbitration proceeding against Mr. Charney,
5 Ms. Chung and the Company, *Lo v. American Apparel, Inc.*, JAMS Case No. 1220042475, Los
6 Angeles Superior Court Case No. BC457920. As a result of the potential exposure to the
7 Company, the case settled prior to the arbitration hearing for a confidential amount.

8 12. Tesa Lubans-DeHaven was a former employee of the Company who initiated a
9 sexual harassment suit against Mr. Charney and the Company. Following the filing of that
10 lawsuit, Ms. Chung created an Impersonation Blog, which featured suggestive pictures of
11 Ms. Lubans-DeHaven. Additionally, it set forth comments suggesting that Ms. Lubans-
12 DeHaven's lawsuit was without merit. Ms. Lubans-DeHaven made claims regarding the
13 Impersonation Blog in the arbitration proceeding commenced in April 2014, *Lubans-DeHaven v.*
14 *American Apparel, Inc.*, JAMS Case No. 1220043539, Los Angeles Superior Court Case No.
15 BC457920. As a result of the potential exposure to the Company, the case was settled by the
16 Company's insurance carrier prior to the arbitration hearing for a confidential amount.

17 13. Irene Morales's initial sexual harassment lawsuit received widespread media
18 coverage. She alleged that Mr. Charney began sexually harassing her when she was 17 and that
19 Mr. Charney kept her locked in his apartment and forced her to have sex with him under threat of
20 being fired. Following the filing of Ms. Morales's lawsuit, Ms. Chung created an Impersonation
21 Blog that included false statements suggesting that Ms. Morales's lawsuit was meritless and
22 extortionate. The blog featured nude or semi-nude photographs of Ms. Morales.

23 14. Ms. Morales pursued claims in an arbitration proceeding against Ms. Chung,
24 Mr. Charney and the Company, *Morales v. American Apparel, Inc.*, JAMS Case No. 1220042473,
25 New York Supreme Court, County of Kings Index Nos. 5018/2011 and 5122/2011 for, among
26 other things, creation of the Impersonation Blogs. An arbitration hearing was held and the
27 arbitrator found that Ms. Chung and the Company were liable because Ms. Chung's
28 Impersonation Blogs contained false statements of fact and were created with actual malice. As a

1 result, the arbitrator found that Ms. Chung violated California Penal Code Section 528.5, and was
2 liable for that violation as well as for defamation, invasion of privacy and intentional infliction of
3 emotional distress. The arbitrator found that the Company was vicariously liable for Ms. Chung's
4 actions in creating the Morales Impersonation Blog based largely on Mr. Charney's testimony
5 that he approved of and appreciated Ms. Chung's actions. The arbitrator also found that the
6 Company had ratified Ms. Chung's conduct based on Charney's prior knowledge of the blogs and
7 failure to stop Ms. Chung. The arbitrator awarded Ms. Morales \$1,559,159.87.

8 15. Alyssa Ferguson began as an employee in one of the Company's retail stores and
9 was later recruited by Ms. Chung to do modeling work. While working as a model, Ms. Ferguson
10 alleged that Ms. Chung asked her to pose nude and "do raunchy things" with mannequins during
11 a photo shoot. Following that photo shoot, she claimed that she was sexually assaulted by
12 Mr. Charney while staying at Ms. Chung's loft. Ms. Ferguson's allegations are set forth in a
13 chilling report that was filed with the Los Angeles Police Department.

14 16. Following Ms. Ferguson's filing of a sexual harassment lawsuit against
15 Mr. Charney, Ms. Chung created an Impersonation Blog that included false statements suggesting
16 that Ms. Ferguson's lawsuit was meritless and extortionate. The blog featured nude or semi-nude
17 photographs of Ms. Ferguson.

18 17. Ms. Ferguson ultimately made claims against Ms. Chung, Mr. Charney and the
19 Company related to the Impersonation Blog in an arbitration proceeding, *Ferguson v. American*
20 *Apparel, Inc.*, JAMS Case No. 1220042480, Los Angeles Superior Court Case No. BC457920. A
21 hearing was held and the arbitrator determined that Ms. Chung violated California Penal Code
22 Section 528.5 by "knowingly creating" blog posts impersonating Ms. Ferguson for a "harmful
23 purpose" and "at a minimum" to intimidate Ms. Ferguson. The arbitrator also found that Ms.
24 Chung was liable for defamation and invasion of privacy. The arbitrator also found that Mr.
25 Charney and the Company ratified Ms. Chung's conduct based on Mr. Charney's knowledge that
26 Ms. Chung was working on the Impersonation Blogs and his failure to do anything about it. The
27 arbitrator awarded Ms. Ferguson \$1,819,178.89.

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1 **Sexual Liaisons**

2 18. The Company discovered voluminous evidence of Mr. Charney's sexual liaisons
3 with employees and models. This evidence included explicit emails, text messages, videos and
4 still photographs. These materials were all recovered from Company computers and/or devices,
5 and there is evidence that Company devices were used to (1) send illicit emails and text messages,
6 (2) take illicit photographs, and (3) record illicit videos.

7 19. These emails and text messages reveal that Mr. Charney repeatedly sent illicit
8 messages to employees. He sent messages that included pornographic videos (or links thereto),
9 pornographic photographs and other nude pictures. Additionally, he frequently engaged in
10 inappropriate sexual banter, infantilizing women and referring to himself as "Daddy." Some
11 examples of the many illicit email and text messages sent by Mr. Charney to employees included
12 in the evidence reviewed by the Suitability Committee include the following:

- 13 (a) "Your ass in that photo is the perfect cum target!"
- 14 (b) "Jack off fun for a bad daddy"
- 15 (c) "Daddy is so excited to play with the most little tiny blonde cum kitten in
16 the whole school"
- 17 (d) "Should I unload my cock now??? Like a filthy pig?"
- 18 (e) "The feeling of your spit dripping down my ass crack would drive me
19 crazy"
- 20 (f) "I fucking need a phone fuck"
- 21 (g) "I am jerking my dick for you and telling you how awful and disgusting I
22 am"
- 23 (h) "I like the idea of pulling your hair and fucking the shit out of you as I ride
24 your body like you were a perfect blond pony"
- 25 (i) "I want baby girl droooooool all over my cock"

26 20. The Company also discovered videos and photographs of Mr. Charney engaged in
27 all manner of sexual behavior with numerous models and employees, which for some incredible
28 reason had been saved by Mr. Charney to the Company's network server by him with the use of

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1 his Company computer. For example, the evidence included videos and images of a model orally
2 copulating Mr. Charney's penis, testicles and anus during a photo shoot; images of another model
3 orally copulating Mr. Charney's penis, testicles and anus and engaging in sexual intercourse with
4 Mr. Charney; images and videos of another model engaging in mutual masturbation with Mr.
5 Charney, orally copulating Mr. Charney's penis and engaging in sexual intercourse with Mr.
6 Charney; and images and video of another model engaging in mutual masturbation with Mr.
7 Charney and orally copulating his penis. At least one of these encounters appears, based on the
8 pictures and videos, to have taken place in Mr. Charney's office at the Company's headquarters.

9 21. The Suitability Committee reviewed evidence that Mr. Charney attempted to
10 destroy evidence of his sexual liaisons, sending emails to employees asking them to "delete
11 naughty emails!"

12 22. The Company, as a result of Mr. Charney's sexual liaisons, incurred \$8.2 million
13 in insured litigation costs and \$1.2 million in uninsured litigation costs through September 2014.

14 **Verbal and Physical Abuse**

15 23. In addition to his sexual harassment and abuse, Mr. Charney also engaged in
16 verbal and physical abuse of employees and others that resulted in litigation. Numerous
17 pleadings have been filed by employees alleging verbal and physical abuse. The pleadings
18 described below, as is the case with the sexual liaisons described above, represent only a small
19 sampling of this verbal and physical abuse.

20 24. Former American Apparel employee Jeneleen Floyd initiated litigation alleging
21 that Mr. Charney stormed into her office screaming and yelling and threatened repeatedly to "kick
22 her ass." Ms. Floyd alleged that she was "so terrorized by [Mr. Charney's] verbal and physical
23 threats that she believed that she was in imminent harm of being physically struck and harmed."

24 25. Former American Apparel employee Laura Barry initiated litigation alleging that
25 Mr. Charney berated her and "became increasingly threatening and violent." She alleged that
26 Mr. Charney called her a "fucking moron," and asked whether she "fucking graduated from high
27 school." Ms. Barry also alleged that Mr. Charney "stood inches from [her] and mimed holding a
28

1 shotgun to her forehead, cocking the shotgun and pulling the trigger.” Ms. Barry alleged that this
2 made her fear for her life.

3 26. Former American Apparel employee Michael Bumblis, who managed the Malibu
4 retail store, initiated litigation alleging that Mr. Charney berated him for the store’s poor
5 performance, screaming, “You should have been fucking fired months ago . . . You’re a fucking
6 Jew! You should know, you are a fucking long haired wanna be Jew. Get your fucking shit
7 together fag.” Mr. Bumblis alleged that Mr. Charney went on to say, “Where is your fucking
8 creativity? Get some fucking girls in bikinis to stand on PCH and have them waive a fucking
9 American flag. Are you a fag?” Mr. Bumblis further alleged that after this exchange
10 Mr. Charney “dove at [him], grabbed [his] throat with both hands and began to forcibly squeeze
11 [his] throat in an attempt to choke and strangle [him].” After choking him, Mr. Charney
12 “proceeded to scoop up the dirt and forcibly attempt to rub the dirt on [Mr. Bumblis’s] face.”

13 27. Employees at the Company’s La Mirada facility lodged complaints after a meeting
14 attended by Mr. Charney with the manufacturing accounting department. Mr. Charney began the
15 meeting by shouting at the accounting staff, “you’re all fucking me.” Mr. Charney then verbally
16 abused Filipino employees calling them “Filipino pigs . . . with your faces in the trough,” and
17 telling them he would be their “[Ferdinand] Marcos. I will tell you what to do.” Mr. Charney
18 repeatedly referred to the Filipino employees as “Filipino pigs” and threatened to fire them.

19 28. A female employee sent an email to Mr. Charney complaining about the work
20 environment at American Apparel and about Mr. Charney’s conduct in particular. In that email,
21 the employee states, “First, don’t ever, ever hit or slap me in the face again. Don’t call me a slut,
22 whore, slave or bitch. Don’t call me stupid.” The employee also laments what she believes to be
23 perception of female employees at American Apparel: “[T]o be associated with American
24 Apparel, especially as a woman, was once a bit of a status symbol—something to be proud of.
25 Now it means you’re a whore. . . . People think we’re a bunch of empty ‘sluts’ because a man we
26 call our ‘daddy’ [i.e., Mr. Charney] has to cum all over our faces 5 times a day.”

27 29. A female employee sent an email describing an incident in which Mr. Charney
28 grabbed her hand and placed it on another woman’s breast on the factory floor as workers passed

1 (c) An anti-harassment policy prohibiting harassment on the basis of race,
2 religion, sex, national origin or other legally protected status.

3 (d) A policy against sexual harassment including unwelcome or unsolicited
4 sexual advances.

5 (e) An electronic information and web resources policy prohibiting
6 inappropriate use of electronic resources including phones, cameras, computers, computer
7 accounts, email accounts and networks.

8 33. In December 2014, following a six-month investigation into Mr. Charney's
9 conduct, the Suitability Committee voted unanimously that Mr. Charney was not suitable to
10 return to the Company as CEO or serve as an officer or employee of the Company, and the Board
11 voted that Mr. Charney should be terminated for cause under the terms of his employment
12 agreement.

13 34. Immediately thereafter, Mr. Charney began a campaign to attack the Company and
14 its reputation, and the reputation of its Directors and new CEO, Paula Schneider, by
15 communicating with employees, investors and the press. As part of his recent attempts to
16 disparage the Company, Mr. Charney has attempted to incite labor unrest and has orchestrated the
17 filing of dozens of claims against the Company in various lawsuits and with the National Labor
18 Relations Board ("NLRB"). Mr. Charney's attorney, Keith Fink, recently admitted to the press
19 that Mr. Charney is "directly involved" in the NLRB charges and other lawsuits against the
20 Company. Mr. Fink also promised a "tidal wave" of new lawsuits against the Company. A
21 Delaware Chancery Court recently issued a temporary restraining order against Mr. Charney that
22 prevents him from continuing in his efforts to publicly malign the Company and its Directors.

23 35. Mr. Charney's recent communications regarding the Company are false and were
24 made with the intent to disrupt the day-to-day operations of the Company. For example, a
25 number of emails were sent to American Apparel employees by Mr. Charney through
26 intermediaries disparaging the Board and the Company. One such email contained the subject
27 line "If You Care About Your Job With American Apparel Please Read." The email contained a
28 link to a petition supporting Mr. Charney and stated as follows about the Company's new

1 leadership: “We have a bunch of consultants draining our company sitting in a room all day
2 making 6 figures a month. THAT IS NOT AMERICAN APPAREL.” The email referenced me
3 by name and suggested that American Apparel employees should not be comfortable with the
4 Company “in [my] hands.” Email forensics indicates that these emails were sent from
5 Mr. Charney’s house.

6 36. A number of employees made inquiries of their supervisors regarding
7 Mr. Charney’s status with American Apparel. In response to these inquiries, and in an attempt to
8 allay the concerns of Company employees, I sent a letter dated April 24, 2015, a copy of which is
9 attached to Mr. Charney’s Complaint in this Action as Exhibit E. Attached to that letter was a
10 copy of the Suspension Letter sent on June 18, 2014, which has been publicly available on the
11 internet since that date. My sole purpose in sending this letter was to provide American Apparel
12 employees with an update regarding Mr. Charney’s future with the Company, which I believe
13 they needed and deserved in light of the concerns expressed by many employees regarding the
14 same.

15 37. In the letter, I set forth the basis for Mr. Charney’s termination for cause as I
16 understood it in my role as Chairperson of the Board and a member of the Suitability
17 Committee—that is, that Mr. Charney was terminated for the reasons set out in the Suspension
18 Letter and otherwise publicly disclosed by the Company. The letter also set forth my opinion that
19 Mr. Charney will not return to American Apparel in any capacity. Based on the information
20 known to the Board of Directors about Mr. Charney’s involvement with the Impersonation Blogs,
21 his abusive and discriminatory manner of dealing with American Apparel employees, his threats
22 of violence, and his long history of inappropriate sexual relationships with Company employees
23 and models, I believe the risk Mr. Charney poses to American Apparel and its employees is far
24 too significant for the Company to entertain the possibility of maintaining any future working
25 relationship with him.

26 38. Specific statements in my April 24, 2015 letter were all supported by, *inter alia*,
27 independent evidence revealed. For example:
28

1 (a) The letter states "Many of you have expressed concern that Mr. Charney
2 continues to claim he is returning to American Apparel. He is not." This statement is supported
3 by the Standstill Agreement attached hereto as Exhibit B pursuant to which Mr. Charney agreed
4 to abide by the findings of the Suitability Committee and, as noted below, not to return as an
5 executive or employee of the Company. Additionally, this statement is supported by
6 Mr. Charney's misconduct including, but not limited to, the misconduct described above which
7 supported the determination of the Suitability Committee.

8 (b) The letter states that "Mr. Charney repeatedly violated the Company's
9 sexual harassment and anti-discrimination policy and used corporate assets for personal, non-
10 business reasons." Each of these statements is supported by the evidence uncovered in the
11 investigation. Mr. Charney sent illicit text messages and emails, engaged in sexual liaisons, some
12 of which were allegedly not consensual, and used Company electronic resources to engage in this
13 behavior. These actions violate Company policy as set forth above. Likewise, Mr. Charney's
14 verbal and physical abuse of employees, including using racial, ethnic and religious slurs such as
15 "wannabe Jew," Asian and African American slurs, "Filipino pigs," and other such slurs and
16 insults violated Company policy as set forth above. Mr. Charney obtained loans and advances
17 without Board or Audit Committee approval and removed, or directed the removal of, a
18 substantial amount of cash from American Apparel retail stores without documenting the business
19 use of such funds. Additionally, he used Company funds to pay his personal legal fees.
20 Mr. Charney's actions in this regard, without prior Board or Audit Committee approval, were a
21 misuse of corporate assets.

22 (c) The letter states that Mr. Charney "agreed in writing, in a contract on file
23 with the Securities and Exchange Commission (SEC), that if he was found to be not suitable . . .
24 he would not return as CEO, an executive or as an employee of the Company." This statement is
25 entirely true as evidenced by the Standstill Agreement attached hereto as Exhibit B.

26 (d) The letter states "Mr. Charney was found not suitable and the Board fired
27 him for cause." As set forth above, on December 15, 2014, the Suitability Committee voted
28 unanimously that Mr. Charney was not suitable to return to the Company as CEO or serve as an

1 officer or employee of the Company, and the Board voted to terminate Mr. Charney for cause
2 under the terms of his employment agreement.

3 (e) The letter states "the SEC has notified the Company that they have
4 launched a formal investigation into possible violations of the securities regulations during the
5 time that Mr. Charney was CEO." This statement is accurate.

6 (f) The letter states "given this set of facts . . . it would be hard to find any
7 Board of any company (public or private) that would be willing to hire Mr. Charney as its CEO,
8 executive, or employee. The risk to the Company and its shareholders would just be too great."
9 In my opinion as a longtime executive with extensive experience in the management of public
10 and private companies, with a particular focus on corporate governance (including as a director of
11 three public companies), this is an accurate statement. Notwithstanding all of the above, just days
12 after my April 24, 2015 letter was sent, Mr. Charney initiated this Action on May 12, 2015, in my
13 opinion to silence me from communicating to the American Apparel employees who have
14 inquired regarding Mr. Charney's status with the Company.

15 39. In addition to his antics, Mr. Charney has initiated an arbitration proceeding
16 related to his perceived wrongful termination. That proceeding is ongoing.

17 I declare under penalty of perjury of the laws of the State of California that the foregoing
18 is true and correct.

19 Executed this 9 day of June, 2015 at Los Angeles, California.

20
21 By: 
22 Colleen Birdnow Brown

06/10/2015

June 18, 2014

Via Hand Delivery To:
Dov Charney in New York

Via Certified Mail (7005 1820 0006 1268 8242)
Return Receipt Requested To:

Dov Charney
18 Apex Avenue
Los Angeles, California 90026

747 Warehouse Street
Los Angeles, California 90021

*Re: Notice of Events and Circumstances Amounting to Cause
Notice of Intent to Terminate Employment*

Dear Mr. Charney:

Pursuant to Section 7(a) of your Employment Agreement dated April 1, 2012 (the "Employment Agreement"), the Board of Directors of American Apparel, Inc. (the "Company") hereby provides notice that (i) you have willfully and continuously failed to substantially perform your job duties under the Employment Agreement and (ii) you have engaged in willful misconduct that has materially injured the financial condition and business reputation of the Company. Based on your failures and misconduct, the Board intends to terminate your employment with the Company for cause effective July 19, 2014 unless you are able to fully effect a cure in accordance with the terms of the Employment Agreement.

The Board's investigation of your misconduct is ongoing and has been hindered by the fact that certain information has not been made available to the Board. However, to date, the events and circumstances by which you failed to perform your job duties and the details of your willful misconduct include the following:

1. **Breach of Fiduciary Duty.** As an officer and director of American Apparel, you owe fiduciary duties to the Company. Among other things, your fiduciary obligations require you to act in the best interests of the Company, to act in good faith and to refrain from conduct that amounts to self dealing or presents a conflict of interest. You have violated the fiduciary obligations owed to the Company in several material ways. For example, you were aware of, but took no steps to prevent an employee under your direct supervision and control from creating and maintaining false, defamatory and impersonating blog posts about former American Apparel employees. You were in a position to prevent this conduct from occurring but, since it benefitted you personally, you allowed it to continue. Your failure to act was not in the best interest of the Company. It exposed the Company to liability and at least in once instance,

06/18/2014

EX-A

directly resulted in an arbitrator finding that the Company acted with malice. Your failure to act also directly resulted in one arbitrator finding that the Company was vicariously liable for the conduct of your subordinate. Those findings, in turn, exposed the Company to a significant punitive damages award. You engaged in similar misconduct with respect to several other former American Apparel employees, resulting in material payments and probable future settlements of such claims.

We also recently learned that you presented significant severance packages to numerous former employees (including packages to Tina Pellegrino, Shannon Nadj and Josephine Delapaz) to ensure that your misconduct vis-a-vis these employees would not subject you to personal liability. None of these severance packages were discussed with or approved by the Board of Directors. These severance packages were material expenditures of Company funds that were not in the best interests of the Company and instead were to protect you from personal liability for misconduct.

Moreover, we were recently appraised that you engaged in misconduct – including the potential subordination of perjury – in a pending litigation matter and that your misconduct will undermine the Company's position in that case.

2. Violation of Company Policy. You have violated numerous Company policies and have failed to take action to enforce the Company's policies in derogation of your obligations as Chief Executive Officer. As is evident from a number of recent court rulings and arbitrator awards and decisions, you repeatedly engaged in conduct that violated the Company's sexual harassment and anti-discrimination policy. Furthermore, you engaged in conduct that repeatedly put yourself in a position to be sued by numerous former employees for claims that include harassment, discrimination and assault.

In the recent past, you refused to participate in mandatory sexual harassment training and undermined the Company's policies by interrupting employee sexual harassment training mandated under California law. By engaging in such conduct, you violated the Company's Code of Ethics which, among other things, requires you to deter wrongdoing and promote compliance with applicable law, rules and regulations. You also violated the Code of Ethics by failing to stop your subordinate from posting false and defamatory blogs as discussed above. Furthermore, on several occasions you have made derogatory and disparaging remarks directed at persons of certain ethnicities or related to their gender, sexual orientation or religious persuasions that are discriminatory and offensive and are not in accordance with Company policies.

3. Misuse of Corporate Assets. You have used corporate assets in an inappropriate manner and for personal, non-business reasons without approval of the Board. For example, you continue to seek reimbursement by the Company for personal services such as legal consultation and certain property rentals and related expenses for various employees/consultants. The Board has reason to believe that many of these expenses were not legitimately incurred to advance the interests of the Company. These funds were instead used for personal reasons and to advance your personal objectives. Additionally, you have used Company assets to make substantial severance payments to protect you from personal liability. You have provided to employees

various salary increases, bonuses, and commission payments that were not meant to reward exemplary performance or further the Company's interests. Instead, you authorized these payments to induce employees to sign release agreements that were aimed at protecting you from personal liability for your misconduct. These payments, like the severance payments discussed above, were incurred for personal reasons and not to advance the legitimate business interests of the Company. You also have engaged in self dealing by purchasing travel for family members with Company funds. These self-dealing transactions were not approved by the Board.

Your misconduct has injured the Company's financial condition and business reputation. In terms of finances, your conduct has required the Company to incur significant and unwarranted expenses, including expenses associated with litigation and defense costs, significant settlement payments, substantial severance packages that were granted to employees, and unwarranted business expenses that you incurred for personal reasons. The Company's employment practices liability insurance retention has grown to \$1 million from \$350,000, causing an unacceptable level of risk for the Company, and the premiums for this insurance are well outside of industry standards. These risks and costs to the Company are a direct result of your actions. The resources American Apparel had to dedicate to defend the numerous lawsuits resulting from your conduct, and the loss of critical, qualified Company employees as a result of your misconduct are also costs that cannot be overlooked.

Your misconduct has also harmed the business reputation of the Company. This is illustrated by voluminous press reports describing your behavior and the fact that the Company has had a very difficult time raising capital and securing debt financing at reasonable rates because of your actions. Indeed, many financing sources have refused to become involved with American Apparel as long as you remain involved with the Company. When the Company has been able to secure financing, it has been required to pay a significant premium for that financing in significant part because of your conduct.

Based on the events and circumstances detailed above, you are hereby suspended and placed on administrative leave effective today, June 18, 2014. Your suspension and administrative leave will last until July 19, 2014 or until such earlier time as you are able to fully effect a cure of your misconduct. On July 19, 2014 we will inform you of our final decision concerning your employment status.

Effective immediately, you will be relieved of all of your job duties and obligations, including as President and Chief Executive Officer; your power to act on the Company's behalf is hereby suspended. During your suspension, you shall not, on behalf of the Company, negotiate or enter into contracts, disburse funds, make any statements on the Company's behalf to the press, public or vendors (or induce, condone or fail to prevent others from making such statements), attempt to communicate with current employees or former employees with continuing contractual obligations to the Company (including under severance arrangements), or disrupt or interfere in any way with the Company's operations. You remain subject to and must continue to abide by the Company's policies, including the Company's confidentiality and non-disparagement policy. You also remain subject to continuing obligations under federal securities laws (including the prohibition against unauthorized disclosure of, or trading while in possession

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Dov Charney
June 18, 2014
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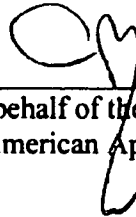
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of, material non-public information) and continuing fiduciary duties under state law. During your suspension, you are not permitted to access directly or indirectly the Company's computer systems or files, use any of the Company's assets, or interact with any of the Company's employees or former employees with continuing contractual obligations to the Company, visit the Company's facilities (including but not limited to its manufacturing facilities, headquarters, distribution center, apartments and stores), or contact vendors or landlords, unless you obtain advance written permission from the Board of Directors and your request is tied directly to an attempt to cure the violations and misconduct described herein. If you violate the directives outlined in this paragraph, the Board will consider such conduct an additional "cause" to terminate your employment. During your suspension, you will continue to receive your monthly salary and the other benefits required to be paid under your Employment Agreement.

The Board is continuing to investigate the scope and extent of your misconduct. The Board reserves the right to notify you of additional events and circumstances that constitute cause to terminate your employment. The Board also reserves the right to supplement and amend this notice as additional information is learned through the course of its ongoing investigation into your actions.

If you require additional details concerning the events and circumstances amounting to cause as outlined in this letter, please contact Tobias S. Keller, the Company's Interim General Counsel at (213) 488-0226.

Sincerely,

A handwritten signature in black ink, appearing to be "Dov Charney", written over a horizontal line.

On behalf of the Board of Directors
of American Apparel, Inc.

06/19/2014

08/10/2015

EXHIBIT B

NOMINATION, STANDSTILL AND SUPPORT AGREEMENT

This Nomination, Standstill and Support Agreement, dated as of July 9, 2014 (this "Agreement"), is by and among the persons and entities listed on Schedule A hereto (collectively, the "Standard General Group" and each, individually, a "member" of the Standard General Group), and American Apparel, Inc., a Delaware corporation (the "Company").

RECITALS

WHEREAS, the Standard General Group beneficially owns 74,560,813 shares of common stock of the Company, par value \$0.0001 per share (the "Common Stock") (excluding 1,178,097 shares of Common Stock held by Standard General Master Fund L.P. for its own account and 361,903 shares of Common Stock held by P STANDARD GENERAL LTD. for its own account), representing approximately 42.98% of the Common Stock issued and outstanding as of May 1, 2014; and

WHEREAS, the Company and the Standard General Group have determined that it is in their respective best interests to come to an agreement with respect to certain matters, as provided in this Agreement.

NOW, THEREFORE, in consideration of the mutual representations, warranties, covenants and agreements set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Board Matters.

(a) The Directors identified on Schedule B (the "Directors") as resigning directors (the "Resigning Directors") shall resign from the Board of Directors of the Company (the "Director Resignations") with effect on the tenth day following the date of the Company's filing of an Information Statement on Schedule 14f-1 (the "Schedule 14f-1") with the United States Securities and Exchange Commission (the "SEC") relating to such Director Resignations and the Director Appointments (as defined herein) pursuant to Rule 14f-1 promulgated under the Securities Exchange Act of 1934 (as amended) (the "Exchange Act").

(b) Immediately following the Director Resignations, the Directors then still in office shall appoint the following individuals to fill the vacancies resulting from the Director Resignations: one individual designated by Standard General L.P. ("Standard General") to the Company to serve as a Class A director of the Company (the "Class A Designee"), two other individuals designated by Standard General to the Company to serve as Class B directors of the Company (the "Class B Designees" and, together with the Class A Designee, the "Standard General Designees") and two other individuals

08/10/2015

EX. B

mutually agreed between Standard General and the Company to serve as Class C directors of the Company (the “Joint Designees” and together with the Standard General Designees, the “New Board Designees”) each to serve until their successors are duly elected and qualified (the “Director Appointments”). David Danziger and Allan Mayer shall each continue to serve as a Co-Chairman of the Board.

(c) Charney will not serve as a Board member or be nominated by the Company or Standard General as a Board member.

(d) As promptly as practicable following the date of this Agreement, and in any event within five business days after the date hereof, the Company shall file with the SEC and transmit to applicable holders of securities of the Company the Schedule 14f-1. The Standard General Group shall promptly provide the Company, and in any event within three business days after the date hereof, any information reasonably necessary concerning the Standard General Designees in connection therewith and requested by the Company within one business day after the date hereof, including the Nomination Documents (as hereinafter defined).

(e) Each New Board Designee, other than the Class A Designee, (i) constitutes an independent director of the Board under the rules of the NYSE MKT LLC (an “Independent Director”), (ii) is not affiliated with or have any material relationship with the Standard General Group and (iii) is not affiliated with or have any material relationship with Dov Charney (“Charney”). The Board shall make a determination as to the Class A Designee’s independence under applicable NYSE MKT LLC independence rules after the Director Resignations and the Director Appointments have occurred, and, if he or she is determined to so qualify, he or she shall be an Independent Director for all purposes hereunder.

(f) For so long as no member of the Standard General Group (other than Charney) has breached Section 3 of this Agreement, and subject to compliance by the members of the Board with their fiduciary duties, the Company shall use its reasonable best efforts to cause the election, at the 2015 Annual Meeting of Stockholders of the Company (the “2015 Annual Meeting”) of each such New Board Designee as a director of the Company (including by including each such New Board Designee in the Company’s proxy statement for such Annual Meeting, recommending that the Company’s stockholders vote in favor of the election of each such New Board Designee and otherwise supporting each such New Board Designee for election in a manner no less rigorous and favorable than the manner in which the Company supports its other nominees).

(g) Each committee of the Board existing as of the date of this Agreement or created after the date hereof (a “Board Committee”) shall consist of Independent Directors, provided that (i) the Class A Designee shall be permitted to serve on any such committee, subject to NYSE MKT LLC independence rules and other independence rules

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under applicable law and regulation and (ii) the Suitability Committee (as defined herein) shall have the composition set forth herein. So long as any Standard General Designee serves on the Board, at least one Standard General Designee shall be offered the opportunity to be a member of each Board Committee, provided that such Standard General Designee meets independence requirements under applicable regulatory standards, and, upon the acceptance of any Standard General Designee of any offer to become a member of any Board Committee, the Board shall effect such change in the composition of such Board Committee immediately (and no less than two business days following such acceptance); provided further that the majority of the members of each Board Committee shall be comprised of Independent Directors other than Standard General Designees and at least 1/3 of the members of each such Board Committee shall be Standard General Designees unless Standard General otherwise agrees.

(h) For so long as a Standard General Designee is a member of the Board, except as otherwise provided in Section 5(a), the Board shall not create an executive committee, and shall cause the dissolution of any currently existing executive committee, including the Executive Succession Committee. For purposes of this Section 1(g), the term "executive committee" shall include any committee of the Board that is empowered, instructed to, tasked with or otherwise takes any action or proposes to take any action regarding any matter that relates to the Company's strategic direction, extraordinary transactions or any other matters that are of a material nature to the Company; provided that nothing in this Section 1(g) shall prohibit the Company or the Board from creating a committee that does not include any Standard General Designees to consider specific matters that involve conflicts of interests between the Company and any member of the Standard General Group (other than Charney) if it would be prudent as a matter of law to exclude the Standard General Designees from membership on such committee.

(i) As promptly as practicable after the date hereof, and in any event within three business days after the date hereof, the Standard General Group and the Board shall provide to the Company an executed consent from each New Board Designee and a completed D&O Questionnaire in the form previously provided to the Standard General Group (collectively, the "Nomination Documents"). After the date hereof, each New Board Designee shall promptly provide to the Company, as requested by the Company from time to time, such information as the Company is entitled to reasonably receive from other members of the Board, including as is required to be disclosed in the Schedule 14f-1 and proxy statements under applicable law.

(j) At all times while serving as a member of the Board, the New Board Designees shall comply with all policies, procedures, processes, codes, rules, standards and guidelines applicable to Board members, including the Company's code of business conduct and ethics, securities trading policies, Regulation FD-related policies, director confidentiality policies and corporate governance guidelines, in each case that have been identified to the New Board Designees, and preserve the confidentiality of Company

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business and information, including discussions or matters considered in meetings of the Board or Board Committees (all subject to Section 4 of this Agreement); provided, however, that the Company acknowledges that Standard General and its Affiliates (except for Charney, the “Standard General Affiliates”) manage a large pool of capital in its normal course of business and invest in many public and private securities, and the Company agrees that the service of the Standard General Designees on the Board shall not prevent Standard General and its Affiliates from investing in any companies or businesses in the ordinary course of business of Standard General or such Affiliates so long as such investment was not made on the basis of confidential information received by a Standard General Designee in his or her capacity as a member of the Board or any Committee. For purposes of this Agreement, the term “Affiliate” shall have the meaning set forth in Rule 12b-2 promulgated by the SEC under the Exchange Act.

(k) So long as any Standard General Designee is a member of the Board, and subject to Section 2(d), the Company shall not take any action, or support or encourage any action, to amend the Bylaws of the Company (the “Company Bylaws”) to increase the size of the Board or change the number of votes any member of the Board has with respect to any matter; provided, however that the Board may amend the Company Bylaws to increase the size of the Board of Directors in connection with any capital raising activity after the Director Appointments have occurred with the consent of Standard General (which consent shall not be unreasonably withheld, conditioned or delayed).

(l) So long as any Standard General Designee is a member of the Board, (i) no single individual shall serve as both Chairman of the Board and Chief Executive Officer (“CEO”) of the Company and (ii) the Chairman of the Board shall be an Independent Director.

(m) The Company and the Standard General Group shall use their reasonable best efforts to procure from Lion Capital (Guernsey) II Limited (“Lion”) a waiver of Lion’s right to designate persons for nomination for election to the Board pursuant to the Investment Agreement, dated as of March 13, 2009, between the Company and Lion (as amended).

(n) The Standard General Designees shall be appointed to the Board as provided herein unless the representations of Standard General set forth in Section 10(c)(ii) (viewing the independence rules of NYSE MKT LLC from the perspective of a board of directors acting reasonably) are inaccurate with respect to any such Standard General Designee. In such event, Standard General shall nominate a new Standard General Designee with respect to whom such representations are accurate to fill such vacancy and such Standard General Designee shall be appointed to the Board as provided herein. Each of the Joint Designees shall be evaluated by the Nominating and Corporate Governance Committee. In the event that the Nominating and Corporate Governance Committee determines that it is unable to support any Joint Designee for appointment as

a member of the Board, the parties hereto shall agree in good faith on a replacement for such Joint Designee. The parties shall use all efforts to ensure that in no event shall the foregoing delay or prevent the appointment of the New Board Designees as contemplated hereby.

2. Certain Other Matters.

(a) Standard General commits to timely provide, or to cause one or more of its Affiliates (other than Charney) or third parties approved by the Company to provide, additional capital or other financial support to the Company in an aggregate amount up to \$25 million, (i) to the extent necessary to permit the Company to repay amounts due under the Credit Agreement, dated as of May 22, 2013, by and among the Company, the facility guarantors party thereto, and Lion/Hollywood L.L.C. (as amended) and amounts related thereto (or, if any such amounts previously have been repaid by the Company, replenishment of such amounts used to pay such amounts), and (ii) for any other purposes as the Board, following the Director Appointments, may determine are appropriate. Any such capital or financial support shall be provided on market terms reasonably agreed by Standard General and the Company unless Standard General accepts other terms. Standard General and the Company shall work together reasonably and in good faith to structure the terms and conditions of the provision of such additional capital or other financial support as soon as practicable, and in such a manner as to comply with applicable NYSE MKT LLC rules and applicable legal requirements.

(b) Charney hereby irrevocably withdraws his letter dated June 27, 2014 providing notice to the Company of his call of a special meeting of stockholders on September 25, 2014 (the "Special Meeting Request").

(c) Prior to the execution of this Agreement and the execution of the Cooperation Agreement (as defined herein), the Board has amended the Rights Agreement, dated as of June 27, 2014, between the Company and Continental Stock Transfer & Trust Company (the "Rights Agreement") to fix the Final Expiration Date (as defined in the Rights Agreement) to 5:00 p.m. Eastern Time on July 24, 2014 and to clarify that no Person shall become an "Acquiring Person" under the Rights Agreement as a result of (i) the negotiation of and entry into this Agreement, (ii) the performance of such Person's obligations or the exercise of such Person's rights under this Agreement or (iii) the performance of obligations or the exercise of rights under the Letter Agreement, including but not limited to entry into the Cooperation Agreement and the other agreements and arrangements described in the Letter Agreement (including, without limitation, the SG Loan Documents and related pledge of Additional Shares and Original Shares, and the Warrant Agreements and Warrants, in each case as such capitalized terms are defined in the Letter Agreement), and the performance of obligations or the exercise of rights thereunder. The Company shall not assert that any communications, agreements or any other actions taken by or among the members of the Standard General Group in connection with the negotiation of this Agreement or otherwise have caused or would cause the Standard General Group or any member thereof to become an "Acquiring

Person" under the Rights Agreement, and the Company shall oppose any such claim asserted by any stockholder of the Company.

(d) Promptly following the execution of this Agreement, the Board shall amend and restate the Company Bylaws to the form adopted on October 1, 2010, except that the size of the Board shall be fixed at nine directors.

(e) Between the date hereof and the Director Appointments, except with the prior written consent of Standard General (which consent shall not be unreasonably withheld, conditioned or delayed), the Company shall, and shall cause its subsidiaries to, conduct its business in the ordinary course in all material respects, consistent with past practice.

(f) The Company shall honor and comply with all severance arrangements between the Company and any of its employees or directors entered into or modified between May 1, 2014 and the date hereof that have been disclosed to Standard General in writing prior to the date hereof (including such arrangements pending final documentation, the material terms of which have been disclosed in writing to Standard General). The Company represents that all such arrangements have been disclosed to Standard General in writing prior to the date hereof, and agrees that no further such arrangements will be entered into or modified prior to the occurrence of the Director Resignations and the Director Appointments.

(g) The Company shall abide by its obligations under its Amended and Restated Certificate of Incorporation, the Company Bylaws and other indemnification agreements in effect on the date hereof (it being understood that no such agreements have been entered into within the last three months other than in the ordinary course of business consistent with past practice and not in connection with the matters contemplated hereby) to indemnify its existing Independent Directors and officers and all New Board Designees for any damages arising out of actions to remove Charney as CEO and all related matters, including negotiation and execution of this Agreement and the transactions and covenants contemplated thereby.

(h) Concurrently with the execution of this Agreement, Charney and Standard General shall enter into a cooperation agreement (the "Cooperation Agreement") in the form previously provided to the Company. The Cooperation Agreement shall not be amended in any manner, terminated or superseded, directly or indirectly, to circumvent any of the agreements contemplated by this Agreement.

3. Standstill. Until completion of the 2015 Annual Meeting, no member of the Standard General Group or any of its Affiliates (as to the Standard General parties, Affiliates that are directly or indirectly controlled by Soohyung Kim or his successor as Chief Executive Officer of Standard General (the "Controlled Affiliates")), directly or indirectly, shall:

(a) (i) solicit proxies or written consents of holders of Common Stock or become a "participant" (as such term is defined in Instruction 3 to Item 4 of Schedule 14A promulgated under the Exchange Act) in or assist any other person in any "solicitation" of any proxy, consent or other authority (as such terms are defined under the Exchange Act) with respect to any shares of Common Stock (other than such encouragement, advice or influence as is consistent with the Board's recommendation in connection with such matter) (for the avoidance of doubt, excluding such activities among members of the Standard General Group and their Controlled Affiliates); or (ii) encourage any other person to solicit or withhold any proxy, consent or other authority with respect to any shares of Common Stock or otherwise advise, encourage or influence any other person with respect to voting any shares of Common Stock (other than such encouragement, advice or influence as is consistent with the Board's recommendation in connection with such matter);

(b) form or join in a partnership, limited partnership, syndicate or other group, including a "group" as defined under Section 13 (d) of the Exchange Act, with respect to the Common Stock (for the avoidance of doubt, excluding any group composed solely of members of the Standard General Group and their Controlled Affiliates) or otherwise support or participate in any effort by any third party with respect to the matters set forth in clause (a) above;

(c) present at any Special Meeting of Stockholders or through action by written consent any proposal for consideration for action by stockholders or seek the removal of any member of the Board or propose any nominee for election to the Board or seek representation on the Board (excluding the actions of any Standard General Designee taken in his or her capacity as a member of the Board);

(d) grant any proxy, consent or other authority to vote with respect to any matters (other than to the named proxies included in the Company's proxy card for any Special Meeting of Stockholders) or deposit any shares of Common Stock in a voting trust or subject them to a voting agreement or other arrangement of similar effect with respect to any Special Meeting (except as provided in Section 4 below or as among members of the Standard General Group and their Controlled Affiliates) or action by written consent (excluding customary brokerage accounts, margin accounts, prime brokerage accounts and the like);

(e) without the prior approval of a majority of the members of the Board who are not Standard General Designees, separately or in conjunction with any other person or entity in which it is or proposes to be either a principal, partner or financing source, publicly propose or participate in, effect or seek to effect, any extraordinary corporate transaction, tender offer or exchange offer, merger, acquisition, reorganization, restructuring, recapitalization, change in the Company's dividend policy, change in the Company's Amended and Restated Certificate of Incorporation or the Company Bylaws (other than as contemplated by this Agreement), business combination involving the

Company or a material amount of the assets or businesses of the Company or any action which would result in a class of securities of the Company being delisted from a national securities exchange or to ceasing to be authorized to be quoted in an inter-dealer quotation system of a registered national securities association or becoming eligible for termination of registration pursuant to Section 12(g)(4) of the Exchange Act or encourage any other person in any such activity (excluding the actions of any Standard General Designee taken in his or her capacity as a member of the Board). Notwithstanding the foregoing, the Company agrees that the Standard General Group shall not be deemed to be in breach of this Agreement in the event that a Standard General Designee receives an unsolicited inquiry regarding a potential transaction proposed by a third party, does not engage in any negotiations or substantive discussions without the prior approval of the Board (including by a majority of the members who are not Standard General Designees) and promptly apprises the Company's lead independent director of the foregoing if required by his or her fiduciary duties to the Company;

(f) purchase or cause to be purchased or otherwise acquire or agree to acquire beneficial ownership of any shares of Common Stock (other than in connection with a stock split, dividend or similar transaction); provided, however, that any Common Stock (i) received by Standard General Designees as equity grants in connection with their service as directors or officers of the Company or (ii) acquired by Charney in connection with his anti-dilution agreement (in the form in effect as of the date hereof and without amendments thereto) shall not be deemed to be beneficially owned by the Standard General Group under this clause (f); provided further, that the consummation of the agreements and arrangements contemplated by the June 25, 2014 Letter Agreement among certain members of the Standard General Group (in the form filed by Charney on June 27, 2014 with the SEC and without amendments thereto, the "Letter Agreement") shall not be deemed to violate this clause (f);

(g) disclose any intention, plan or arrangement inconsistent with the foregoing;

(h) instigate, encourage, join, act in concert with or assist any third party to do any of the foregoing;

(i) take any action that would reasonably be expected to require the Company to make a public announcement regarding the possibility of any of the events described in this Section 3; or

(j) request that the Company or the Board or any of their respective representatives amend or waive any provision of this Section 3 (including this sentence) or for the Board to specifically invite any member of the Standard General Group to take any of the actions prohibited by this Section 3.

The foregoing provisions of this Section 3 shall not be deemed to prohibit the transfer of shares of Common Stock beneficially owned by any member of the Standard General Group to any of its Affiliates, provided that such Affiliate agrees to be bound by the terms and conditions of this Agreement as a member of the Standard General Group.

4. Voting. Until completion of the 2015 Annual Meeting, (i) each member of the Standard General Group and its Affiliates (in respect of Charney) and its Controlled Affiliates (in respect of Standard General) shall cause all Common Stock beneficially owned by them as of the record date for any Annual or Special Meeting of Stockholders (the “ Applicable Record Date Holding ”) to be present at such meeting for quorum purposes, and (ii) to the extent that the Applicable Record Date Holding exceeds 33 and one-third percent of the outstanding Common Stock at any Annual or Special Meeting of Stockholders or any adjournments or postponements thereof, the Standard General Group shall cause any excess stock over 33 and one-third percent of the outstanding Common Stock to be voted for any proposals or other business that comes before any such meeting in proportion to the votes for such proposals or other business cast by the other stockholders of the Company voting at such meeting; provided, that nothing contained herein shall prevent Charney from performing his obligations under the Investment Voting Agreement, dated March 13, 2009, between Charney and Lion Capital (Guernsey) II Limited (in the form in effect as of the date hereof and without amendments thereto).

5. Investigation of Chief Executive Officer.

(a) No later than one business day following the Director Resignations, the Company shall form a committee of the Board (the “ Suitability Committee ”) consisting of David Danziger, one Standard General Designee and one Joint Designee. All decisions of the Suitability Committee shall be made by majority vote of the members of the Suitability Committee. The Suitability Committee shall oversee the investigation (the “ Investigation ”) of alleged misconduct by Charney. In connection with the Investigation, and subject to the timeframe for the Investigation set forth in Section 5(b), FTI Consulting, Inc. (“ FTI ”) shall be permitted to complete its investigation pursuant to FTI’s existing engagement with the Company, including having full and unrestricted access to relevant employees, servers and Company-owned equipment. Charney agrees to be interviewed as part of the Investigation, and Charney may make a statement to the applicable representatives of FTI in connection with such interview.

(b) The Investigation shall continue until the Suitability Committee determines, consistent with its fiduciary duties, that the Investigation is complete, provided that the Suitability Committee shall use its reasonable best efforts to conclude the Investigation as promptly as practicable but no later than 30 days after the date hereof (the “ Completion Date ”) (subject to any extensions that the Suitability Committee, by majority vote, determines in good faith are reasonably required to satisfy its members’ fiduciary duties or to comply with formal and informal requests from auditors, regulators

and other governmental authorities). Based on the findings of the Investigation, the Suitability Committee shall determine, by majority vote and in good faith and consistent with its members' fiduciary duties, whether it is appropriate under the circumstances for Charney to be reinstated as CEO of the Company or serve as an officer or employee of the Company or any of its subsidiaries (the "Clearance Determination"). The Clearance Determination shall be made (based solely on the information available to the Suitability Committee at the time of such determination) no later than the earlier of (i) 10 days after the conclusion of the Investigation under this Section 5(b), and (ii) the Completion Date if (x) the Investigation is not concluded by the Completion Date and (y) Charney so elects in writing not later than 15 days prior to the Completion Date.

(c) Not less than one week prior to the Suitability Committee making its final determination pursuant to Section 5(b), the Suitability Committee shall provide Charney and his legal advisors the opportunity to meet with the Suitability Committee (such meeting, the "Preliminary Meeting"). At the Preliminary Meeting, Charney and his legal advisors shall be presented a summary of the evidence and preliminary findings of the Investigation. Charney and his legal advisors shall be given a reasonable opportunity to ask questions and respond to such evidence and preliminary findings at such Preliminary Meeting. A final meeting between the Suitability Committee and Charney and his legal advisors shall be held prior to the Suitability Committee making its final determination under Section 5(b) (such meeting, the "Final Meeting"). At the Final Meeting, Charney and his legal advisors shall be given another opportunity to ask questions and respond to the evidence and preliminary findings presented at the Final Meeting or the Preliminary Meeting. Nothing shall prevent the Suitability Committee from holding additional meetings, in addition to the Preliminary Meeting and the Final Meeting, with Charney and his legal advisors relating to the Investigation and/or the Suitability Committee's Clearance Determination. Charney shall not, in any way, interfere with or attempt to influence the outcome of the Investigation. Unless specific authorization has been granted by the Suitability Committee, Charney shall not directly or indirectly access the Company's computer systems; provided, however, that upon request, Charney shall be provided with a copy of his Company email mailbox.

(d) Charney shall not serve as CEO of the Company or serve as an officer or employee of the Company or any of its subsidiaries unless and until the Investigation is completed and the Suitability Committee makes a Clearance Determination in favor of such service. From the date hereof through the date of the Clearance Determination, Charney shall serve as a consultant to the Company with no supervisory authority over any employees of the Company. The terms of such consulting relationship shall be negotiated by the Board as soon as practicable following the Director Appointments. Pursuant to such consulting relationship, from the date hereof through the date of the Clearance Determination, Charney shall receive compensation equal to the base salary payable under his existing employment agreement with the Company (without duplication of any payments received in connection with his employment agreement).

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(e) Charney agrees, without prejudice to any claim for damages relating to allegations of wrongful dismissal, to stay the pending arbitration proceeding relating thereto (the "Arbitration") until the Suitability Committee makes its Clearance Determination under Section 5 (b). If the Suitability Committee makes a Clearance Determination that permits Charney to be reinstated as CEO, and Charney is reinstated as CEO, Charney agrees to promptly dismiss with prejudice all claims asserted or that could have been asserted by Charney in the Arbitration (and, for the avoidance of doubt, not to bring future claims relating thereto in arbitration or litigation).

6. Public Announcements; Non Disparagement.

(a) Promptly following the execution of this Agreement, the Company and the Standard General Group shall announce this Agreement and the material terms hereof by means of a jointly issued press release in the form attached hereto as Exhibit B (the "Press Release"). Neither the Company (and the Company shall cause each of its Affiliates, and its and their directors and officers not to) nor the Standard General Group or any Controlled Affiliate of Standard General or Affiliate of Charney shall (and each shall cause their respective directors and officers not to) make or cause to be made any public announcement or public statement that is inconsistent with or contrary to the statements made in the Press Release, except as required by law or the rules of any stock exchange or with the prior written consent of Standard General, the Company and Charney. The Company acknowledges that members of the Standard General Group intend to file this Agreement and the Press Release as an exhibit to its Schedule 13D pursuant to an amendment that the Company will have an opportunity to review in advance.

(b) The members of the Standard General Group, their respective officers, directors, representatives and Affiliates (with respect to the Standard General parties, their Controlled Affiliates) shall refrain from making or causing to be made to any third party, including but not limited to by press release or similar public statement to the press or media or to any analyst, any statement or announcement, whether orally or in writing, that disparages or otherwise negatively reflects upon the Company, its employees, officers or directors or any person who has served as an employee, officer or director of the Company in the past, or who serves on or following the date of this Agreement as an employee, officer or director of the Company. The Company and its directors, officers and employees (including the Resigning Directors) shall refrain from making or causing to be made to any third party, including but not limited to by press release or similar public statement to the press or media or to any analyst, any statement or announcement, whether orally or in writing, that disparages or otherwise negatively reflects upon Standard General, the Standard General Affiliates or (subject to the final results of the Investigation as determined by the Suitability Committee) Charney, except disclosures relating to Charney to the extent the Company in good faith determines such disclosure is required as a result of applicable law, regulation, order by a governmental authority or

SEC or stock exchange rules, or is required or advisable in connection with any arbitration or other legal proceeding. The non-disparagement agreements set forth in this Section 6(b) shall not apply to any statement, position, argument, briefing or communication of any nature that takes place in or relates to the Arbitration or any legal proceeding.

7. Company Philosophy. In the Press Release, Standard General shall publicly affirm its commitment to the Company's sweatshop-free, "Made in the USA" manufacturing philosophy, maintaining the Company's manufacturing headquarters in Los Angeles, California, and the Company's tradition of passion, creativity, contrarian thinking, social responsibility, ethical business practices and fair treatment of employees.

8. Confidentiality Agreement. The Company hereby agrees that: (i) the Standard General Designees are permitted to and may provide confidential information to certain specified persons subject to and solely in accordance with the terms of the confidentiality agreement in the form attached hereto as Exhibit B (the "Confidentiality Agreement") (which the Standard General Group shall execute and deliver to the Company simultaneously with the Standard General Group's execution and delivery of this Agreement) and (ii) the Company shall execute and deliver the Confidentiality Agreement to the Standard General Group substantially contemporaneously with execution and delivery thereof by the other signatories thereto.

9. Mutual Release; Reservation of Rights; No Admission.

(a) The Company, on the one hand, and the Standard General Group, on the other hand, on behalf of themselves and for all of their past and present affiliated, associated, related, parent and subsidiary entities, joint ventures and partnerships, successors, assigns, and the respective owners, officers, directors, partners, members, managers, principals, parents, subsidiaries, predecessor entities, agents, representatives, employees, shareholders, advisors, consultants, attorneys, heirs, executors, administrators, successors and assigns of any said person or entity, security holders of any said person or entity, and any other person claiming (now or in the future) through or on behalf of any of said persons or entities (collectively "Released Persons"), irrevocably and unconditionally release, settle, acquit and forever discharge the other and all of their Released Persons, from any and all causes of action, claims, actions, rights, judgments, obligations, damages, amounts, demands, losses, controversies, contentions, complaints, promises, accountings, bonds, bills, debts, dues, sums of money, expenses, specialties and fees and costs (whether direct, indirect or consequential, incidental or otherwise, including attorney's fees or court costs, of whatever nature) incurred in connection therewith of any kind whatsoever, whether known or unknown, suspected or unsuspected, in their own right, representatively, derivatively or in any other capacity, in law or in equity or liabilities of whatever kind or character, arising under federal, state, foreign, or common law or the laws of any other relevant jurisdiction (the "Claims"), to the extent such Claims have arisen, could have arisen, arise now, or hereafter may arise out of the

allegations, facts, events, transactions, acts, occurrences, statements, representations, misrepresentations, omissions or any other matter, thing, or cause whatsoever, or any series thereof, embraced, involved, arising out of or set forth in the formation of the Standard General Group, its acquisition prior to the date hereof of beneficial ownership of Common Stock, the public disclosure by its members with respect thereto, any existing arrangements or agreements between Charney and any Standard General Affiliates and those contemplated by the Letter Agreement, the Special Meeting Request, actions taken by the Suitability Committee (as to the Company and the Suitability Committee), the negotiation of this Agreement and, if the Suitability Committee makes a Clearance Determination that is favorable to Charney, actions taken to remove Charney from his position as CEO (collectively, the "Released Claims"); provided, however, the Released Claims shall not include claims to enforce the terms of this Agreement. It is further understood and agreed that each of the parties expressly waives all rights as to the Released Claims under Section 1542 of the California Civil Code. Said Section reads as follows: "A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR."

(b) The parties acknowledge and agree that they may be unaware of or may discover facts in addition to or different from those which they now know, anticipate or believe to be true related to or concerning the Released Claims. The parties know that such presently unknown or unappreciated facts could materially affect the claims or defenses of a party or parties. It is nonetheless the intent of the parties to give a full, complete and final release and discharge of the Released Claims. In furtherance of this intention, the releases herein given shall be and remain in effect as full and complete releases with regard to the Released Claims notwithstanding the discovery or existence of any such additional or different claim or fact. To that end, with respect to the Released Claims only, the parties expressly waive and relinquish any and all provisions, rights and benefits conferred by any law of the United States or of any state or territory of the United States or of any other relevant jurisdiction, or principle of common law, under which a general release does not extend to claims which the parties do not know or suspect to exist in their favor at the time of executing the release, which if known by the parties might have affected the Parties' settlement. The parties acknowledge and agree that the inclusion of this Section 9(b) was separately bargained for and is a material term of this Agreement.

(c) The parties hereto reserve all rights not specifically limited by this Agreement. Nothing in this Agreement shall be construed as an admission of liability or fault by any party hereto, which liability and fault, with respect to each party hereto, are expressly denied by such party.

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(d) In connection with any arbitration or litigation proceeding brought by Charney against any of the Released Persons relating to allegations of wrongful dismissal or related matters, the prevailing party, as determined by the final judgment of an arbitrator or a court of competent jurisdiction (as applicable), shall be entitled to reimbursement for all reasonable legal fees and costs incurred in connection therewith.

10. Representations and Warranties .

(a) Each party represents and warrants to each other party that: (i) such party has all requisite power and authority to execute and deliver this Agreement and to perform its obligations hereunder; (ii) this Agreement has been duly and validly authorized, executed and delivered by it and is a valid and binding obligation of such party, enforceable against such party in accordance with its terms; and (iii) this Agreement will not result in a violation of any terms or conditions of any agreements to which such person is a party or by which such party may otherwise be bound or of any law, rule, license, regulation, judgment, order or decree governing or affecting such party.

(b) The Company represents and warrants to the Standard General Group that the Rights Agreement has been amended so that the negotiation of and entry into this Agreement and the performance by the Standard General Group of its obligations hereunder and under the Letter Agreement would not cause the Standard General Group or any member thereof to become an "Acquiring Person" under the Rights Agreement.

(c) Each member of the Standard General Group represents and warrants to the Company (i) that, as of the date of this Agreement, the Standard General Group beneficially owns 74,560,813 shares of Common Stock and that no Controlled Affiliate of any member of the Standard General group beneficially owns any shares of common Stock other than as a member of the Standard General Group (excluding 1,178,097 shares of Common Stock held by Standard General Master Fund L.P. for its own account and 361,903 shares of Common Stock held by P STANDARD GENERAL LTD. for its own account), (ii) that each New Board Designee, other than the Class A Designee is "independent" under the rules of the NYSE MKT LLC and is not affiliated with and does not have any material relationship with the Standard General Group and is not affiliated with and does not have any relationship with Dov Charney and (iii) that it has no agreements, arrangements or understandings (written or oral) with respect to any shares of Common Stock (including voting arrangements) other than this Agreement, the Letter Agreement the other agreements referenced herein.

11. Miscellaneous . The parties acknowledge and agree that if for any reason any of the provisions of this Agreement are not performed in accordance with their specific terms or are otherwise breached, immediate and irreparable harm or injury would be caused for which money damages would not be an adequate remedy. Accordingly, each party agrees that in addition to other remedies the other party shall be entitled to at law or equity, the other party shall be entitled to seek an injunction or injunctions to

prevent breaches of this Agreement and to enforce specifically the terms and provisions of this Agreement exclusively in the Court of Chancery or other federal or state courts of the State of Delaware. Furthermore, each of the parties hereto (a) consents to submit itself to the exclusive personal jurisdiction of the Court of Chancery or other federal or state courts of the State of Delaware in the event any dispute arises out of this Agreement or the transactions contemplated by this Agreement, (b) agrees that it shall not attempt to deny or defeat such personal jurisdiction by motion or other request for leave from any such court, (c) agrees that it shall not bring any action relating to this Agreement or the transactions contemplated by this Agreement in any court other than the Court of Chancery or other federal or state courts of the State of Delaware, (d) irrevocably waives the right to trial by jury and (e) irrevocably consents to service of process by a reputable overnight mail delivery service, signature requested, to the address set forth in Section 14 (if applicable), the address of such party's principal place of business (if the address of such party is not set forth in Section 14) or such party's address as determined pursuant to applicable law. THIS AGREEMENT SHALL BE GOVERNED IN ALL RESPECTS, INCLUDING VALIDITY, INTERPRETATION AND EFFECT, BY THE LAWS OF THE STATE OF DELAWARE APPLICABLE TO CONTRACTS EXECUTED AND TO BE PERFORMED WHOLLY WITHIN SUCH STATE WITHOUT GIVING EFFECT TO THE CHOICE OF LAW PRINCIPLES OF SUCH STATE. For avoidance of doubt, the provisions of subsections (a) through (e) of this Section 11 do not apply to any arbitration or litigation between or among any of the Released Persons relating to Charney's employment by the Company and his dismissal from such employment.

12. No Waiver. Any waiver by any party of a breach of any provision of this Agreement shall not operate as or be construed to be a waiver of any other breach of such provision or of any breach of any other provision of this Agreement. The failure of a party to insist upon strict adherence to any term of this Agreement on one or more occasions shall not be considered a waiver or deprive that party of the right thereafter to insist upon strict adherence to that term or any other term of this Agreement.

13. Entire Agreement. This Agreement, the Confidentiality Agreement, the Letter Agreement and the Cooperation Agreement contain the entire understanding of the parties with respect to the subject matter hereof.

14. Notices. All notices, consents, requests, instructions, approvals and other communications provided for herein shall be in writing and shall be deemed validly given, made or served, if (a) given by email, when such email is sent to the email address set forth below and the appropriate confirmation is received or (b) if given by any other means, when actually received during normal business hours at the address specified in this subsection:

If to the Company:

American Apparel, Inc.
747 Warehouse Street
Los Angeles, CA 90021
Attention: General Counsel
Email: tobiaskeller@AmericanApparel.net

With a copy to (which shall not constitute notice):

Skadden, Arps, Slate, Meagher & Flom LLP
300 South Grand Avenue, Suite 3400
Los Angeles, California 90071
Attention: Jeffrey H. Cohen
David C. Eisman
Email: jeffrey.cohen@skadden.com
david.eisman@skadden.com

If to the Standard General Group:

c/o Standard General L.P.
767 Fifth Avenue, 12th Floor
New York, New York 10153
Attention: Gail Steiner
Email: gsteiner@standgen.com

With copies to (which shall not constitute notice):

Debevoise & Plimpton LLP
919 Third Avenue
New York, New York 10022
Attention: Jonathan E. Levitsky
Email: jelevitsky@debevoise.com

and

Glaser, Weil, Fink, Howard, Avchen & Shapiro LLP
10250 Constellation Blvd., 19th Floor
Los Angeles, California 90067
Attention: Jeffrey C. Soza
Email: jsoza@glaserweil.com

15. Counterparts. This Agreement may be executed in two or more counterparts which together shall constitute a single agreement.

16. Successors and Assigns. This Agreement shall not be assignable by any of the parties hereto. This Agreement, however, shall be binding on successors of the parties hereto.

17. Third Party Beneficiaries. The Directors identified on Schedule B shall be, and are hereby, named as an express third-party beneficiaries of Sections 2(f), 6(b) and 9 of this Agreement, with full rights as such. Except as otherwise provided by the preceding sentence, this Agreement is not enforceable by any persons other than the parties hereto.

18. Interpretation and Construction. Each party acknowledges that it has been represented by counsel of its choice throughout all negotiations that have preceded the execution of this Agreement, and that it has executed the same with the advice of said independent counsel. Each party and its counsel cooperated and participated in the drafting and preparation of this Agreement and the documents referred to herein, and any and all drafts relating thereto exchanged among the parties shall be deemed the work product of all of the parties and may not be construed against any party by reason of its drafting or preparation. Accordingly, any rule of law or any legal decision that would require interpretation of any ambiguities in this Agreement against any party that drafted or prepared it is of no application and is hereby expressly waived by each party hereto, and any controversy over interpretations of this Agreement shall be decided without regards to events of drafting or preparation. The section headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. The term "including" shall be deemed to mean "including without limitation" in all instances.

19. Liability Several and Not Joint. Notwithstanding anything contained herein to the contrary, the obligations of the members of the Standard General Group hereunder are several and not joint or collective.

20. Amendments. This Agreement may only be amended pursuant to a written agreement executed by Standard General, Charney and the Company and approved by a majority of the members of the Board who are not Standard General Designees.

[Signature Pages Follow]

IN WITNESS WHEREOF, each party has executed this Agreement as of the date first above written.

AMERICAN APPAREL, INC.

By: /s/ John Luttrell
Name: John Luttrell
Title: Interim Chief Executive Officer, Executive Vice President
and Chief Financial Officer

STANDARD GENERAL L.P.

By: /s/ David Glazek
Name: David Glazek
Title: Partner

STANDARD GENERAL MASTER FUND L.P.

By: /s/ David Glazek
Name: David Glazek
Title: Partner of its investment manager

P STANDARD GENERAL LTD.

By: /s/ David Glazek
Name: David Glazek
Title: Partner of its investment manager

DOV CHARNEY

/s/ Dov Charney

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SCHEDULE A

Standard General L.P.
Standard General Master Fund L.P.
P STANDARD GENERAL LTD.
Dov Charney

08/11/2015

SCHEDULE B

Dov Charney *
Alberto Chehebar *
David Danziger
Robert Greene *
Marvin Igelman *
Billy Mauer *
Allan Mayer

* Denotes Resigning Directors

0011012015

EXHIBIT A

CONFIDENTIALITY AGREEMENT

AMERICAN APPAREL, INC.

July 9, 2014

To: Each of the persons or entities listed on Schedule A hereto (collectively, the "Standard General Group" or "you" and each, individually, a "member" of the Standard General Group)

Ladies and Gentlemen:

This letter agreement shall become effective upon the appointment of any Standard General Designee to the Board of Directors (the "Board") of American Apparel, Inc. (the "Company"). Capitalized terms used but not otherwise defined herein shall have the meanings given to such terms in the Nomination, Standstill and Support Agreement, dated as of July 9, 2014 (the "Nomination, Standstill and Support Agreement"), by and among the Company and the members of the Standard General Group.

The Company acknowledges and agrees that, subject to the terms of this letter agreement, each Standard General Designee may, if and to the extent he or she desires to do so, confidentially disclose information he or she obtains while serving as a member of the Board to you and the persons set forth on Schedule B hereto (collectively, the "Specified Standard General Personnel"), and may discuss such information with any and all such persons. As a result, you may receive certain non-public information regarding the Company. You acknowledge that this information is proprietary to the Company and may include trade secrets or other business information the disclosure of which could harm the Company. In consideration of, and as a condition of, such information being furnished to you and, subject to the restrictions in paragraph 2, you agree to treat such information (regardless of the manner in which it is furnished, including in written or electronic format or orally, gathered by visual inspection or otherwise), together with the relevant portion of any notes, analyses, reports, models, compilations, studies, interpretations, documents, records or extracts thereof to the extent containing, referring, relating to, based upon or derived from such information, in whole or in part (collectively, "Evaluation Material"), in accordance with the provisions of this letter agreement.

1. The term "Evaluation Material" does not include information that (i) is or has become generally available to the public other than as a result of a direct or indirect disclosure by you or the Specified Standard General Personnel in violation of this letter agreement, (ii) was within your or any of the Specified Standard General Personnel's

08/10/2015

possession on a non-confidential basis prior to its being furnished to you by any Standard General Designee, or by or on behalf of the Company or its agents, representatives, attorneys, advisors, directors, officers or employees (collectively, the "Company Representatives"), or (iii) is received from a source other than any Standard General Designee, the Company or any of the Company Representatives; provided, that in the case of clauses (ii) and (iii) above, the source of such information was not known by you to be bound by a contractual, legal or fiduciary obligation of confidentiality to any other person with respect to such information at the time the information was disclosed to you.

2. You and the Specified Standard General Personnel shall, and you shall cause the Specified Standard General Personnel to, (a) keep the Evaluation Material strictly confidential and (b) not disclose any of the Evaluation Material in any manner without the prior written consent of the Company; provided, however, that you may privately disclose any of such information to the Specified Standard General Personnel (i) who need to know such information for the sole purpose of advising you with respect to your investment in the Company and (ii) who are informed by you of the confidential nature of such information; provided, further, that you will be responsible for any violation of this letter agreement by the Specified Standard General Personnel as if they were parties hereto. It is understood and agreed that no Standard General Designee shall disclose to you or the Specified Standard General Personnel any Legal Advice (as defined below) that may be included in the Evaluation Material with respect to which such disclosure would constitute a waiver of the Company's attorney-client privilege or attorney work product privilege; provided, however, that a Standard General Designee may provide such disclosure of Legal Advice if such Standard General Designee shall not have taken any action, or failed to take any action, that has the purpose or effect of waiving attorney-client privilege or attorney work product privilege with respect to any portion of such Legal Advice. "Legal Advice" as used herein shall be solely and exclusively limited to the advice provided by legal counsel and shall not include any factual information or the formulation or analysis of business strategy that is not protected by the attorney-client or attorney work product privilege.

3. In the event that you or any of the Specified Standard General Personnel are required or requested by applicable interrogatory, subpoena or any similar process relating to any legal proceeding, investigation, hearing or otherwise to disclose any of the Evaluation Material, you will promptly notify (except where such notice would be legally prohibited) the Company in writing by electronic mail and certified mail so that the Company may seek a protective order or other appropriate remedy (and, if the Company seeks such an order, you will provide such cooperation as the Company shall reasonably request), at the Company's sole cost and expense. Nothing herein shall be deemed to prevent you or the Specified Standard General Personnel, as the case may be, from honoring a subpoena, legal process or other legal requirement that requires or requests discovery, disclosure or production of the Evaluation Material if (a) you produce or disclose only that portion of the Evaluation Material which your outside legal counsel of

national standing advises you is legally required to be so produced or disclosed and you inform the recipient of such Evaluation Material of the confidential nature of such Evaluation Material; or (b) the Company consents in writing to having the Evaluation Material produced or disclosed pursuant to the subpoena, legal process or other legal requirement or request. In no event shall you or any of the Specified Standard General Personnel oppose action by the Company, at its sole expense, to obtain a protective order or other relief to prevent the disclosure of the Evaluation Material or to obtain reliable assurance that confidential treatment will be afforded the Evaluation Material. For the avoidance of doubt, it is understood that there shall be no "legal requirement" requiring you to disclose any Evaluation Material solely by virtue of the fact that, absent such disclosure, you would be prohibited from purchasing, selling, or engaging in derivative or other voluntary transactions with respect to the Common Stock or otherwise proposing or making an offer to do any of the foregoing, or you would be unable to file any proxy materials in compliance with Section 14(a) of the Exchange Act or the rules promulgated thereunder. The foregoing obligations and requirements in this paragraph shall not be required or apply in connection with disclosures made to the extent required by law to, or requested by, a federal or state regulatory agency, self-regulatory organization or supervisory authority in the course of such authority's routine examinations or supervisory inspections not related to the Company; provided that you agree to promptly notify the Company of any actual disclosures made so long as you are permitted to do so under applicable law.

4. You acknowledge that (a) neither the Company nor any Company Representative makes any representation or warranty, express or implied, as to the accuracy or completeness of any Evaluation Material, and (b) neither the Company nor any Company Representative shall have any liability to you or to any of the Specified Standard General Personnel relating to or resulting from the use of the Evaluation Material or any errors therein or omissions therefrom, except in the case of fraud.

5. All Evaluation Material shall remain the property of the Company. Neither you nor any of the Specified Standard General Personnel shall by virtue of any disclosure or use of any Evaluation Material acquire any rights with respect thereto, all of which rights (including all intellectual property rights) shall remain exclusively with the Company. At any time after the date on which no Standard General Designee is a director of the Company, upon the written request of the Company for any reason, you will promptly return to the Company or destroy, at your election, all hard copies of the Evaluation Material and use commercially reasonable efforts to permanently erase or delete all electronic copies of the Evaluation Material in your or any of the Specified Standard General Personnel's possession or control (and, upon the written request of the Company, shall promptly certify to the Company that such Evaluation Material has been destroyed, erased or deleted, as the case may be); provided, however, that you may retain such copies of Evaluation Material as may be required to be retained by you pursuant to applicable law, regulation or as part of your bona fide information technology system

back-ups or your internal compliance policies. Notwithstanding the destruction, return or erasure or deletion of Evaluation Material, you and the Specified Standard General Personnel will continue to be bound by the obligations contained herein.

6. You acknowledge, and will advise the Specified Standard General Personnel, that the Evaluation Material may constitute material non-public information under applicable federal and state securities laws, and that the United States securities laws prohibit any person who has received from an issuer any material, non-public information from purchasing or selling securities of such issuer or from communicating such information to any other person under circumstances in which it is reasonably foreseeable that such person is likely to purchase or sell such securities.

7. You hereby represent and warrant to the Company that (i) you have all requisite power and authority to execute and deliver this letter agreement and to perform your obligations hereunder, (ii) this letter agreement has been duly authorized, executed and delivered by you, and is a valid and binding obligation, enforceable against you in accordance with its terms, (iii) this letter agreement will not result in a violation of any terms or conditions of any agreements to which you are a party or by which you may otherwise be bound or of any law, rule, license, regulation, judgment, order or decree governing or affecting you, and (iv) your entry into this letter agreement does not require approval by any owners or holders of any equity or other interest in you (except as has already been obtained).

8. Any waiver by the Company of a breach of any provision of this letter agreement shall not operate as or be construed to be a waiver of any other breach of such provision or of any breach of any other provision of this letter agreement. The failure of the Company to insist upon strict adherence to any term of this letter agreement on one or more occasions shall not be considered a waiver or deprive the Company of the right thereafter to insist upon strict adherence to that term or any other term of this letter agreement.

9. You acknowledge and agree that the value of the Evaluation Material to the Company is unique and substantial, but may be impractical or difficult to assess in monetary terms. You further acknowledge and agree that in the event of an actual or threatened violation of this letter agreement, immediate and irreparable harm or injury would be caused for which money damages would not be an adequate remedy. Accordingly, you acknowledge and agree that, in addition to any and all other remedies which may be available to the Company at law or equity, the Company shall be entitled to seek an injunction or injunctions to prevent breaches of this letter agreement and to enforce specifically the terms and provisions of this letter agreement exclusively in the Court of Chancery or other federal or state courts of the State of Delaware.

10. Each of the parties hereto (a) consents to submit itself to the personal jurisdiction of the Court of Chancery or other federal or state courts of the State of

Delaware in the event any dispute arises out of this letter agreement, (b) agrees that it shall not attempt to deny or defeat such personal jurisdiction by motion or other request for leave from any such court, (c) agrees that it shall not bring any action relating to this letter agreement in any court other than the Court of Chancery or other federal or state courts of the State of Delaware, and (d) irrevocably waives the right to trial by jury, and (e) irrevocably consents to service of process by a reputable overnight mail delivery service, signature requested, to the address set forth in Section 12. THIS LETTER AGREEMENT SHALL BE GOVERNED IN ALL RESPECTS, INCLUDING VALIDITY, INTERPRETATION AND EFFECT, BY THE LAWS OF THE STATE OF DELAWARE APPLICABLE TO CONTRACTS EXECUTED AND TO BE PERFORMED WHOLLY WITHIN SUCH STATE WITHOUT GIVING EFFECT TO THE CHOICE OF LAW PRINCIPLES OF SUCH STATE.

11. This letter agreement and the Nomination, Standstill and Support Agreement contain the entire understanding of the parties with respect to the subject matter hereof and thereof and supersedes all prior or contemporaneous agreements or understandings, whether written or oral. This letter agreement may be amended only by an agreement in writing executed by the parties hereto.

12. All notices, consents, requests, instructions, approvals and other communications provided for herein shall be in writing and shall be deemed validly given, made or served, if (a) given by email, when such email is sent to the email address set forth below and the appropriate confirmation is received or (b) if given by any other means, when actually received during normal business hours at the address specified in this subsection:

If to the Company:

American Apparel, Inc.
747 Warehouse Street
Los Angeles, CA 90021
Attention: General Counsel
Email: tobiaskeller@AmericanApparel.net

With a copy to (which shall not constitute notice):

Skadden, Arps, Slate, Meagher & Flom LLP
300 South Grand Avenue, Suite 3400
Los Angeles, California 90071
Attention: Jeffrey H. Cohen
David C. Eisman
Email: jeffrey.cohen@skadden.com
david.eisman@skadden.com

If to the Standard General Group:

c/o Standard General L.P.
767 Fifth Avenue, 12th Floor
New York, New York 10153
Attention: Gail Steiner
Email: gsteiner@standgen.com

With copies to (which shall not constitute notice):

Debevoise & Plimpton LLP
919 Third Avenue
New York, New York 10022
Attention: Jonathan E. Levitsky
Email: jelevitsky@debevoise.com

and

Glaser, Weil, Fink, Howard, Avchen & Shapiro LLP
10250 Constellation Blvd., 19th Floor
Los Angeles, California 90067
Attention: Jeffrey C. Soza
Email: jsoza@glaserweil.com

13. If at any time subsequent to the date hereof, any provision of this letter agreement shall be held by any court of competent jurisdiction to be illegal, void or unenforceable, such provision shall be of no force and effect, but the illegality or unenforceability of such provision shall have no effect upon the legality or enforceability of any other provision of this letter agreement.

14. This letter agreement may be executed (including by facsimile or PDF) in two or more counterparts which together shall constitute a single agreement.

15. This letter agreement and the rights and obligations herein may not be assigned or otherwise transferred, in whole or in part, by you without the express written consent of the Company. This letter agreement, however, shall be binding on successors of the parties hereto.

16. This letter agreement shall expire on the first anniversary of the date on which a Standard General Designee no longer serves as a director of the Company; except that you shall maintain in accordance with the confidentiality obligations set forth herein any Evaluation Material constituting trade secrets for such longer time (if any) as

such information constitutes a trade secret of the Company as defined under 18 U.S.C. § 1839(3).

17. Each party acknowledges that it has been represented by counsel of its choice throughout all negotiations that have preceded the execution of this letter agreement, and that it has executed the same with the advice of said counsel. Each party and its counsel cooperated and participated in the drafting and preparation of this letter agreement and the documents referred to herein, and any and all drafts relating thereto exchanged among the parties shall be deemed the work product of all of the parties and may not be construed against any party by reason of its drafting or preparation. Accordingly, any rule of law or any legal decision that would require interpretation of any ambiguities in this letter agreement against any party that drafted or prepared it is of no application and is hereby expressly waived by each of the parties hereto, and any controversy over interpretations of this letter agreement shall be decided without regards to events of drafting or preparation. The term "including" shall in all instances be deemed to mean "including without limitation."

18. Notwithstanding anything contained herein to the contrary, the obligations of the members of the Standard General Group hereunder are several and not joint or collective.

[Signature Pages Follow]

Please confirm your agreement with the foregoing by signing and returning one copy of this letter agreement to the undersigned, whereupon this letter agreement shall become a binding agreement between you and the Company.

Very truly yours,

AMERICAN APPAREL, INC.

By: _____
Name:
Title:

[Signature Page to the Confidentiality Agreement between American Apparel, Inc. and the Standard General Group]

08/11/2015

Accepted and agreed as of the date first written above:

STANDARD GENERAL L.P.

By: _____
Name:
Title:

STANDARD GENERAL MASTER FUND L.P.

By: _____
Name:
Title:

P STANDARD GENERAL LTD.

By: _____
Name:
Title:

DOV CHARNEY

[Signature Page to the Confidentiality Agreement between American Apparel, Inc. and the Standard General Group]

08/10/2015

SCHEDULE A

Standard General L.P.
Standard General Master Fund L.P.
P STANDARD GENERAL LLC
Dov Charney, along with his attorneys, representatives and agents

05/19/2015

SCHEDULE B

Any employee or principal of Standard General L.P. or its Affiliates that is involved in monitoring the American Apparel, Inc. investment, and any attorney or accountant of Standard General L.P. or its Affiliates that advises Standard General L.P. or its Affiliates in connection with the American Apparel, Inc. investment

06/10/2015

EXHIBIT B

[PRESS RELEASE]

American Apparel®

American Apparel Signs Support Agreement with Standard General

LOS ANGELES — July 9, 2014 — American Apparel, Inc. (NYSE MKT: APP) today announced it has reached a Nomination, Standstill and Support Agreement with Standard General L.P. and company founder Dov Charney, the beneficial owners of nearly 44% of the Company's outstanding stock. Under the agreement, Standard General will provide up to \$25 million in immediate financial support to the Company, the Company's board will be reconstituted, and an independent board committee will be formed to oversee the continuing investigation into alleged misconduct by Mr. Charney.

As part of the agreement, Standard General affirmed its support for American Apparel's sweatshop-free, "Made in USA" manufacturing philosophy and commitment to maintain the Company's manufacturing headquarters in Los Angeles. Standard General and Mr. Charney also agreed to certain standstill and voting limitations through the Company's 2015 annual meeting.

Other key points of the agreement include:

- A reconstitution of the Company's board of directors in which five of the current seven members, including Mr. Charney, will voluntarily step down. The departing directors will be replaced by two new directors, chosen jointly by Standard General and the current board, and three new directors designated by Standard General. All but one of the new directors are expected to be independent directors and unaffiliated with either Standard General or Mr. Charney. The board will continue to be led by its current co-chairmen, David Danziger and Allan Mayer. Mr. Charney will not serve as a board member or be nominated by the Company or Standard General as a board member.
- A continuation of the ongoing investigation into Mr. Charney's alleged misconduct overseen by a newly appointed, independent board committee. Mr. Charney will serve as strategic consultant until the end of the investigation. Based on the findings of the investigation, the committee will determine if it is appropriate for Mr. Charney to serve as CEO or an officer or employee of American Apparel.
- Adoption of a standstill agreement through the Company's 2015 annual meeting that, among other things, prohibits Standard General and Mr. Charney from acquiring any additional shares in American Apparel and limits their vote to no more than one third of the Company's shares on any issue put to stockholders; their remaining shares would be voted proportionately to the vote of other stockholders.

"This truly marks the beginning of an important new chapter in the American Apparel story," said Mr. Mayer. "With the support of Standard General, we are confident the Company will finally be able to realize its true potential."

"The last few weeks have been difficult ones for the company, and we are especially indebted to our special committee members Robert Greene, Marv Igelman, and William Mauer, who have worked so tirelessly on the company's behalf," said Mr. Danziger. "Any success the company enjoys in the future will in large part be the result of their efforts."

08/10/2015

The Company is concurrently filing a Current Report on Form 8-K with the SEC attaching the Nomination, Standstill and Support Agreement in its entirety.

THE COMPANY URGES INVESTORS TO READ THE INFORMATION STATEMENT AND ANY OTHER RELEVANT DOCUMENTS THAT THE COMPANY MAY FILE WITH THE SEC WHEN THEY BECOME AVAILABLE BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION. Stockholders will be able to obtain, free of charge, copies of the Information Statement and any other documents filed by the Company with the SEC at the SEC's website at <http://www.sec.gov> and at the Company's website at <http://www.Americanapparel.net>.

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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 May 31, 2014, American Apparel had approximately 10,000 employees and operated 249 retail stores in 20 countries, including the United States, Canada, Mexico, Brazil, United Kingdom, Ireland, Austria, Belgium, France, Germany, Italy, Netherlands, Spain, Sweden, Switzerland, Australia, Japan, South Korea, and China. American Apparel also operates a global e-commerce site that serves over 60 countries worldwide at <http://www.americanapparel.com>. In addition, American Apparel operates a leading wholesale business that supplies high quality T-shirts and other casual wear to distributors and screen printers.

About Standard General L.P.

Standard General L.P. is a New York City-based SEC-registered investment advisor that manages event-driven opportunity funds. Standard General was founded in 2007 and primarily manages capital for public and private pension funds, endowments, foundations and high net worth individuals.

This press release, and other statements that the Company may make, may contain forward-looking statements. Forward-looking statements are statements that are not historical facts and are based upon the current beliefs and expectations and 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. More detailed information about these and other factors are 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, 2013 and Quarterly Report on Form 10-Q for the quarter ended March 31, 2014. 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.

Media Contact :

For American Apparel

Mike Sitrick
Sitrick And Company
310-788-2850

For Standard General

John Dillard
Weber Shandwick
212-445-8052

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American Apparel®

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- A continuation of the ongoing investigation into Mr. Charney's alleged misconduct overseen by a newly appointed, independent board committee. Mr. Charney will serve as strategic consultant until the end of the investigation. Based on the findings of the investigation, the committee will determine if it is appropriate for Mr. Charney to serve as CEO or an officer or employee of American Apparel.
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