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DOV CHARNEY

SUPERIOR COURT OF THE STATE OF CALIFORNIA

COUNTY OF LOS ANGELES - CENTRAL DISTRICT

DOV CHARNEY, an individual,

Plaintiff,

vs.

STANDARD GENERAL, L.P., a New York limited partnership; STANDARD GENERAL MASTER FUND L.P., a New York limited partnership; P STANDARD GENERAL LTD., a British Virgin Islands limited company; AMERICAN APPAREL, INC., a Delaware corporation; ALLAN MAYER, an individual; DAVID DANZINGER, an individual; ROBERT GREENE, an individual; MARVIN IGELMAN, an individual; WILLIAM MAUER, an individual; JOHN LUTTRELL, an individual; and DOES 1 through 20, inclusive,

Defendants.

Case No.

COMPLAINT FOR:

(1) VIOLATION OF CALIFORNIA CORPORATIONS CODE § 25401
(2) INTENTIONAL MISREPRESENTATION
(3) NEGLIGENT MISREPRESENTATION
(4) BREACH OF FIDUCIARY DUTY
(5) FRAUD IN THE INDUCEMENT/RESCISSION
(6) CONSPIRACY
(7) INTENTIONAL INFLICTION OF EMOTIONAL DISTRESS
(8) NEGLIGENT INFLICTION OF EMOTIONAL DISTRESS;
(9) DECLARATORY RELIEF

JURY TRIAL DEMANDED

INTRODUCTION

1. This case is about a fraud and conspiracy perpetrated by a predatory hedge fund, Standard General L.P. (with its controlled affiliates, "**Standard General**"), and certain officers and directors of American Apparel, Inc. ("**American Apparel**" or the "**Company**"), to wrest control of the Company from its founder, chief executive officer ("CEO") and largest shareholder, Dov Charney ("**Charney**").

2. American Apparel is a leading American apparel company headquartered in Los Angeles, California, where it is one of the largest private employers in the City of Los Angeles. In 2013, the market capitalization of American Apparel was just under $400 million, and it had grown substantially over the course of 25 years or more, generating significant operational profits almost every year. The Company had achieved this growth through the vision and leadership of its founder, Charney, who was its Chief Executive Officer, and had held that role since he started the Company. However, in late 2013 and early 2014, a group began plotting to remove Charney from his position.

3. The opportunity to double-cross Charney came after a series of mistakes by the Company's CFO, John Luttrell ("Luttrell"). These missteps left the Company cash starved and struggling to make an impending bond payment. If American Apparel failed to meet its obligation, its creditors would call their loans, spelling financial demise for the company.

4. At the same time, Luttrell, in danger of being fired as a result of his lack of business judgment and failure to properly manage the Company's financial functions, was looking for a graceful and profitable exit from the Company. Unbeknownst to Charney, he began working with certain members of the American Apparel board of directors (the "Board") to position the Company for a sale.

5. However, Luttrell and certain Board members knew that Charney would be an obstacle to their plans. Charney founded the company that would become American Apparel while he was still in high school, developed the Company's brand, and promulgated its 'made in Los Angeles,' "sweatshop-free" business philosophy. Over the course of 25 years, Charney served as CEO and built the Company into a multimillion dollar international business with more than 200 stores and employing more than 10,000 individuals. As of the beginning of 2014, Charney was the company's largest shareholder with a 43% stake. Charney wanted to continue building the Company he had grown from its infancy, and would not be persuaded to sell.

6. Luttrell and the Board accordingly developed a plan to trick Charney into agreeing to compromise his position in the Company, based on a series of promises they never intended to keep.

7. The first step Luttrell and the Board took was to convince Charney to agree to allowing the Company to raise cash through an equity offering that significantly diluted Charney's ownership stake in the Company. To induce Charney's agreement, the Board promised him that he would be given

an opportunity to recapture his shares through an earn-out arrangement. Specifically, Board member Allan Mayer assured Charney that the Board would be fully prepared to offer Charney an "earn out" in exchange for his support of the dilutive equity financing

8. Immediately after the equity offering, certain outside professionals were retained to help plan the earn out, and Allan Mayer informed Seth Cohen of the law firm of Skadden Arps Slate Meagher & Flom, LLP that he could begin engaging in discussions and negotiations with Charney on the subject.

9. But Charney was never given the promised opportunity for the earn-out arrangement which induced him to support the equity offering. Less than three months after the equity offering took place, the Board turned on Charney and initially terminated him on or about June 18, 2014. The termination would not have been possible were it not for Luttrell's and the Board's additional egregious fraud and deceit. Indeed, prior to the Company's annual shareholders' meeting in June of 2014, the Board filed a proxy statement lauding Charney's accomplishments and contributions to the Company, and proclaiming the need for Charney to continue not only as the Company's CEO, but as its Chairman of the Board. Based on these statements of confidence, Charney agreed to and did vote his shares in favor of the re-election of the very same Board members filing that proxy statement, who, immediately after the shareholders' meeting, voted to terminate him.

10. Thereafter, Luttrell and the Board began working with Standard General to develop a scheme to defraud Charney into further diminishing his position in the Company. Through numerous misrepresentations and omissions, including promises that Standard General would assist Charney to regain control of the Company, Charney was fraudulently induced into giving Standard General control over Charney's shares. Once Standard General had seized control and neutralized Charney, it aligned its interests with the Board, and it reneged on its promises to Charney, leaving him ousted from the Company he had founded.

11. Defendants engaged in concealment and misrepresentation and breached their fiduciary duties to Charney. By this action, Charney seeks to rescind certain of the agreements he was fraudulently induced to execute. In addition and alternatively, Charney seeks damages against Defendants as a result of their misconduct in excess of one hundred million dollars $100,000,000.00, according to proof.

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THE PARTIES

12. Plaintiff DOV CHARNEY ("**Charney**" or "**Plaintiff**") is, and at all times relevant hereto was, an individual residing in Los Angeles County, California.

13. Defendant STANDARD GENERAL, L.P. ("**Standard General, L.P.**") is, and at all times relevant hereto was, a partnership organized under the laws of the State of New York with its principal place of business in New York, doing business within the County of Los Angeles, State of California.

14. Defendant STANDARD GENERAL MASTER FUND L.P. ("**Standard General Master Fund**") is, and at all times relevant hereto was, a partnership organized under the laws of the State of New York with its principal place of business in New York, and doing business within the County of Los Angeles, State of California.

15. Defendant P STANDARD GENERAL LTD. ("**P Standard General Ltd.**") is, and at all times relevant hereto was, a British Virgin Islands limited company with its principal place of business in New York, doing business within the County of Los Angeles, State of California. Together, all three Standard General entities will be referred to collectively as "**Standard General**."

16. Defendant AMERICAN APPAREL, INC. ("**American Apparel**" or the "**Company**") is, and at all times relevant hereto was, a Delaware corporation with its principal place of business in and doing business within the County of Los Angeles, State of California.

17. Defendant ALLAN MAYER ("**Mayer**") is, and at all times relevant hereto was, a member of the American Apparel Board, and an individual residing in California and doing business within the County of Los Angeles. Mayer took over Charney's position as Chairman of the Board of American Apparel co-chairing with David Danzinger.

18. Defendant DAVID DANZINGER ("**Danzinger**") is, and at all times relevant hereto was, a member of the American Apparel Board, and is a resident of Ontario, Canada, doing business within the County of Los Angeles, State of California. Danzinger took over Charney's position as chairman of the Board of American Apparel co-chairing with Mayer.

19. Defendant ROBERT GREENE ("**Greene**") is, and at all times relevant hereto was, an individual residing in California, doing business within the County of Los Angeles. Prior to the Standstill

Agreement (as defined herein below), Greene was a member of the American Apparel Board.

20. Defendant MARV IGELMAN ("**Igelman**") is, and at all times relevant hereto was, an individual residing in Ontario, Canada, and doing business within the County of Los Angeles. Prior to the Standstill Agreement (as defined herein below), Igelman was a member of the American Apparel Board.

21. Defendant WILLIAM MAUER ("**Mauer**") is, and at all times relevant hereto was, an individual residing in Quebec, Canada, and doing business within the County of Los Angeles. Prior to the Standstill Agreement (as defined herein below), Mauer was a member of the American Apparel Board.

22. Collectively, Mayer, Danzinger, Greene, Ingleman and Mauer will be referred to as "**Board Members**.")

23. Plaintiff is informed and believes and on that basis alleges that Defendants DOES 1 through 20, inclusive, are individually and/or jointly liable to Plaintiff for the conduct alleged herein. The true names and capacities, whether individual, corporate, associate or otherwise, of Defendants DOES 1 through 20, inclusive, are unknown to Plaintiff at this time. Accordingly, Plaintiff sues Defendants DOES 1 through 20, inclusive, by fictitious names and will amend this Complaint to allege their true names and capacities after they are ascertained.

24. Plaintiff is informed and believes, and on that basis alleges, that except as otherwise alleged herein, each of the Defendants is, and at all times relevant to this Complaint was, the employee, agent, employer, partner, joint venture, affiliate, and/or co-conspirator of each of the other Defendants and, in doing the acts alleged herein, was acting within the course and scope of such positions at the direction of, and/or with the permission, knowledge, consent and/or ratification each of the other Defendants and/or intentionally failed to take or order appropriate action to avoid the harm suffered by the Plaintiff as a result of said conduct. In the alternative, Plaintiff is informed and believes and thereon alleges that each Defendant, through its acts and omissions, is responsible for the wrongdoing alleged herein and for the damages suffered by Plaintiff. Plaintiff does not know the identities of DOES 1 through 20. Therefore, he sues those defendants by such fictitious names and will amend this Complaint to include their real names when discovered.

JURISDICTION AND VENUE

25. The Defendants conduct business in California and the claims asserted in this Complaint arise out of that activity. Venue is proper under Code of Civil Procedure section 395(a) because at least one defendant resides in Los Angeles County and the events that gave rise to this action occurred in Los Angeles County. Further, pursuant to California Corporations Code Section 25701, claims brought pursuant to the Corporate Securities Law of 1968 are subject to the exclusive jurisdiction of this California court.

FACTUAL ALLEGATIONS

Background of American Apparel

26. American Apparel is a clothing manufacturer, distributor, and retailer based in Los Angeles, California. Starting in 1989 as a wholesaler of T-shirts, the Company grew rapidly to meet the public's demand for its unique styles. In 2003, the Company's expansion into retail was amongst the most successful retail rollouts in American history. American Apparel opened stores in Los Angeles, Montreal, and New York and achieved nearly $80 million in sales in 2003. By 2005, the company was ranked 308th on Inc.'s list of the 500 fastest growing private companies in the United States, with 440% three-year growth and revenues in 2005 of over $200 million. In 2008, Charney was named "Retailer of the Year" at the 15th Annual Michael Awards for the Fashion Industry; in previous years, both Calvin Klein and Oscar de la Renta had received that honor.

27. American Apparel currently operates approximately 240 stores in 20 countries around the world, and employs more than 10,000 people. The Company has historically been committed to employing Los Angeles-based workers at fair wages. American Apparel has focused on leveraging art, design, and technology to advance its business rather than the exploitation of cheap labor. **While a garment worker in Bangladesh earns an average of $600 per year, an experienced American Apparel garment worker can earn $30,000 or more. American Apparel also provides its workers additional benefits including health insurance, an onsite medical clinic, subsidized public transport, subsidized lunches, and free onsite massages.**

28. The Company's successes and "sweatshop free" ethos were a direct result of Charney's business acumen. Charney founded the company that would become American Apparel during his last

year of high school. Born and raised in Montreal, Canada, Charney moved to Connecticut for his senior year. At this time, Charney noticed that school T-shirts available in the United States differed from those available in Canada. Charney believed American T-shirts were superior, and he saw an opportunity to establish a business selling American-made T-shirts in Canada. Charney accordingly began exporting bulk quantities of American T-shirts by passenger train to Montreal.

29. Charney's T-shirt exportation business was so successful that he continued it during his freshman year of college in Massachusetts. It was during that year, in 1989, that Charney began using the American Apparel name. Shortly thereafter, Charney began manufacturing his own T-shirts under the American Apparel brand. The shirts were cut and sewn in South Carolina by American workers and sold wholesale to screen printers, boutiques, and other resellers.

30. In 1997, both Charney and American Apparel moved to Los Angeles, and in 2003, Charney made the decision to take American Apparel into the retail market, which resulted in a massive expansion of the Company. American Apparel's business model of vertical integration, which combined domestic manufacturing with an owned network of retail stores was very unique in the apparel industry. Charney's position at the helm of the enterprise allowed him to develop a very rare combination of expertise spanning the traditionally separate domains of apparel manufacturing and apparel retail.

31. In 2007, American Apparel went public, and currently trades on the NYSE MKT stock exchange under the stock symbol "APP."

32. Charney's vision for American Apparel was well received, and Charney became the face of the American Apparel brand. With Charney as CEO, American Apparel grew from a one-man start up operated from a college dorm room to a well-recognized international business employing thousands of individuals around the world. The Company also had access to the credit markets, and successfully issued bonds, in addition to its stock offerings.

33. As CEO, as well as the largest shareholder of the Company, Charney had substantial authority and discretion, but also worked in conjunction with the Board of Directors of the Company. The other executive officers handled various duties and reported to Charney, and the rest of the Board. One of those officers was the Company's chief financial officer ("CFO"), John Luttrell.

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34. In 2009, the Company was severely disrupted after an I-9 inspection by Immigration and Customs Enforcement forced the Company to let go approximately 2,000 people, mostly manufacturing employees. The terminations involved roughly half of the Company's industrial workforce. Although the company was found to be in substantial compliance with all immigration laws, as the impact of the terminations began to reverberate throughout the business in late 2009 and early 2010, the Company's profitability declined dramatically. While in 2009 the Company reported adjusted earnings before interest, depreciation and amortization ("Adjusted EBITDA") of approximately $56 million, in 2010 the Company experienced the first Adjusted EBITDA loss in its history, a loss of $7 million. Mr. Charney and his staff worked tirelessly to help the Company overcome this disappointing development. The Company tapped its credit lines and raised $15 million in equity from a group of investors in April 2011 as American Apparel sought to turn its business around. In 2011 the Company achieved an Adjusted EBITDA of approximately $15 million, and in 2012 it rose to $36 million, as the turnaround efforts began to bear fruit.

The Company's CFO Nearly Causes American Apparel to Default on Its Debt Obligation

35. In 2012, Luttrell presented a plan to the Board to build a world class, high-tech, $5 million distribution center in La Mirada, California. Luttrell presented the idea as an opportunity to save millions of dollars in costs, using a strategy he claimed he had successfully implemented at various other retail companies. Although Charney voiced his concerns about project, the Board ultimately allowed Luttrrell to proceed with the project over Charney's objections. Under the oversight of Luttrell, the project was scheduled to be fully operational by February of 2013.

36. With the Company's turnaround in full swing, Luttrell provided financial guidance to investors in early 2013 for the year, by which the Company had expected to achieve an Adjusted EBITDA of between $47 million to $54 million.

37. Also in early 2013, Luttrell proposed that the Company refinance its term loan with Lion Capital, LLC, which carried a high interest rate of between fifteen-to-eighteen percent, but the loan had a pay-in-kind ("PIK") feature which allowed the Company to forgo making interest payments in cash, by adding the interest to the outstanding balance. Originally the loan had been for $80 million, but the balance had grown as the Company took advantage of the PIK feature extensively beginning in 2010.

The loan was to mature at the end of 2015, about three years later.

38. Luttrell met with investment bankers at Cowen & Co., with whom Luttrell had a longstanding professional relationship. The bankers at Cowen told Luttrell that they could refinance the Lion term loan at much more attractive interest rates, in the neighborhood of ten percent (10%). The targeted amount of this high yield bond financing was $220 million. However, over the course of the underwriting process, the terms of the bond offering continued to get materially worse. The bond financing ended up being for only $200 million, at an interest rate of thirteen percent (13%), with another two percent of PIK interest that would be triggered under certain conditions. Under these terms, the Company would now have an additional $26 million more annual debt service requirements to pay in cash, than it would if it had kept the existing Lion Capital loan in place. Nevertheless, the Company went forward with the bond offering on Luttrell's advice and instruction, which it closed in early April 2013.

39. Because Luttrell's bond offering was for less than what was originally planned, a month later the Company was already short of cash, and went back to Lion Capital and obtained $4.5 million of financing.

40. To make matters worse, by late summer of 2013, the distribution center was still not complete and the plans were in a shambles because of Luttrell's inability to manage the project. The Company found itself in the position of being unable to ship to consumers, stores and wholesale clients. Items that were originally intended to be delivered to a store in London were being sent to Florida. "Next Day Shipping" online orders were weeks behind, and wholesale orders, which needed to be shipped on a same-day basis, were being shipped late, incomplete and to the wrong addresses. Luttrell recognized the enormity of the debacle and offered his resignation to Charney, only asking that it be done in a "dignified" manner to allow Luttrell to save face to find another job. In consultation with the Board, Charney determined that with the Company in crisis, it was not the appropriate time to replace the CFO.

41. In August, Charney himself stepped in to rectify the situation at the distribution center when Luttrell proved unable to solve the fiasco. Under Charney's direction, employees from other cities where brought in to assist in sorting out the mess and properly identifying merchandise that had become scattered throughout the malfunctioning distribution center.

42. By October 2013, after literally working 15-20 hour days for months, Charney and others working with him had fixed the mess at the distribution center. Charney recruited and hired a new distribution manager to run the facility. However, substantial damage had been done because of the out-of-pocket costs incurred and the tremendous loss of sales revenue caused by the Company's inability to properly fulfill orders. The turnaround that Charney had been successfully leading suffered an enormous setback. At the beginning of the year, the Company had announced to the public its outlook for 2013 of net sales between $652 million to $660 million. Instead, because of the difficulties and disruptions caused by Luttrell's conduct arising as a result of the transition to the new distribution center, net sales for the year ended up at $634 million and adjusted EBITDA was approximately $8 million, compared to the original estimates of $47 million to $54 million. At the end of the year, the Company's stock price stood at $1.23 per share, down almost 50% from its high for the year of $2.37 per share.

The American Apparel Board Fraudulently Induces Charney into Diluting his Equity in the Company

43. The cost overruns and resulting losses in sales associated with the La Mirada distribution center, together with the high interest payments that the Company now had to make, combined to create a 'perfect storm.' The terms of the bonds required semiannual interest payments, with a payment of $13.7 million coming due in April 2014. Having fallen short of the low end of its profitability target for 2013 by nearly $40 million, the Company did not have the cash available to make the required interest payment and risked defaulting on the bonds. A default would threaten the Company's ongoing financial viability.

44. By early 2014, Mr. Charney was growing increasingly dissatisfied with Luttrell's performance as CFO, and began discussing with various board members an idea to bring in an executive from the turnaround firm Alvarez & Marsal to assist in the Company's accounting and finance departments. Charney believed that the performance of these departments had deteriorated under Luttrell's leadership. After learning of Charney's intentions from a Board member, Luttrell secretly became panicked over his job security. To avoid the consequences of his poor management of the bond financing and his mismanagement related to the distribution center, and find a graceful exit from the Company, Mr. Luttrell acted against the best interests of the Company and its shareholders and began

to explore plans for ousting Charney and selling the Company.

45. By January 2014, Luttrell and members of the Board were secretly looking for ways to position the Company for sale. Indeed, on January 14, 2014, Luttrell had a meeting with two investment bankers from Peter J. Solomon Company during an investor conference in Orlando, Florida. Marc Cooper, one of the investment bankers for Peter J. Solomon Company advised Luttrell and the General Counsel for the Company that, "American Apparel could be sold, but not with Dov Charney in the way." In February, Luttrell began to intensify his solicitation of the Board through secret phone calls and meetings to undermine Charney's position and the best interests of the Company and its shareholders. In February 2014, Luttrell created a document titled "Notes to David Danzinger" which contained the following plan: "Remove CEO and replace with an interim replacement. Put the Company up for sale. Engage Peter Solomon." However, publicly, Luttrell was making false and misleading public statements to conceal the secret plans to remove Charney in order to sell off the Company, as quoted in a June 20, 2014 Los Angeles Times article entitled "Is American Apparel Up For Sale?" as follows:

> "The Los Angeles company's abrupt ouster this week of Chief Executive Dov Charney has sparked intense speculation that it is now a prime takeover target.
> **But those rumors were vehemently dismissed Friday by its interim chief executive.**
> **"We have zero intention to sell the company," John Luttrell, who is also the retailer's chief financial officer, told the Times.**
> Some industry watchers say, however, that American Apparel's brand appeal and loyal core of shoppers would make it an enticing prospect for a private equity firm or even another retailer.
> "When the board ousted him, it was simultaneously erecting a huge, neon for-sale sign on the company," said Lloyd Greif, chief executive of Los Angeles investment banking firm Grief & Co. "With Dov out of the way and no longer being an obstacle, this will open the company up to a transaction."

46. It had become well known at the Company that Luttrell had personal financial troubles and that he was looking for an exit strategy. Like Luttrell, certain members of the Board were also financially motivated to advance their own personal interests against those of the Company and its shareholders, as the sale of the Company would provide them with significant profit and a risk-free exit that they could present to the public as a "good" outcome for shareholders.

47. On the other hand, Charney was not looking for an exit, but instead was committed to regaining sales and continuing to grow the Company. In early February 2014, Luttrell called Charney one morning and asked him if he would ever consider taking $100 million for his stake in the Company.

Charney responded to Luttrell that he had no intention of selling the Company, and instead intended to continue to operate the Company according to the principles on which it was founded. Further, Charney informed Luttrell that he planned to spend the next five years building up the Company into an even more significant enterprise. Given Charney's 43% equity stake in the Company, it would be difficult to sell the Company without Charney's support. Charney's equity stake also made it difficult for anyone to remove him from the Company, as he would only need to obtain the support of 7% of shareholders in order to retain control.

48. It was clear to all the officers and directors of the Company, however, including Charney that the Company's continuing viability depended on its ability to make the upcoming bond payment.

49. In March 2014, Robert Lavan of Standard General ("**Lavan**") emailed Charney to introduce himself, and to offer Standard General's financial assistance to the Company. Lavan promised that Standard General and its management were "not vultures" and noted that they needed Charney's cooperation because Standard General had "been trying to buy your equity, but we can't get in size an amount meaningful to us with current trading volumes."

50. Hopeful that Standard General would be able to provide the Company with a much needed capital infusion, Charney introduced Standard General to the Board to analyze Standard General's proposal. Standard General made a presentation for the Board in March 2014, a part of it included a slide that read, "We believe [Dov Charney] is the lifeblood/anchor of the brand which is the key value proposition of American Apparel [.] We see significant upside with a solid balance sheet and better financial discipline." Charney believed these statements and has no reason to suspect that Standard General would later act against him.

51. Standard General and American Apparel soon engaged in discussions to determine the best way for Standard General to provide a much needed capital infusion to the Company.

52. At this time, Standard General engaged in comprehensive and extensive due diligence into American Apparel's affairs, including its organizational structure, business strategy, liabilities and leadership. Among other things, Standard General reviewed all contingent liabilities, the performance of individual stores, and the Company's detailed financial documents. All litigation, including employment litigation claims, was fully vetted by the Standard General team. Subsequent to Standard

General's extensive investigation into American Apparel's finances and Charney personally, Lavan informed Charney that the due diligence did not reveal any items of concern to Standard General.

53. At this point, Standard General made available to American Apparel a financing option involving debt, and no dilution to shareholders, including Charney. However, the other members of American Apparel's Board and Luttrell engaged in a very aggressive campaign to convince Charney that the issuance of equity in a secondary offering, which would dilute Charney's ownership interest from 43 percent to 27 percent (the "Equity Offering"), was the best option for the Company. Luttrell and Mayer, on behalf of the Board, promised Charney that if he agreed to the Equity Offering, he would be provided with an additional compensation package that would include an equity "earn-out" that would allow him to recapture his ownership percentage. To lend credibility to their false promise, Luttrell and the Board engaged the Company's outside counsel as well as compensation consultants to begin working with Charney to explore options to effectuate the promised earn-out, which they claimed would be discussed at a future board meeting. However, Luttrell and the American Apparel Board never intended to permit Charney to regain the equity stake they fraudulently induced him to give up.

54. In reliance on the promises made to him by Luttrell and members of the American Apparel Board, in March 2014 Charney agreed to the Equity Offering. American Apparel issued 61,000,000 shares of American Apparel stock in the secondary offering at $0.50 per share (prompting a dramatic decline in the Company's stock price), providing the Company with a $30,500,000 cash infusion, and diluting Charney's ownership interest from 43 percent to 27 percent. In an article dated June 20, 2014, and entitled "Is American Apparel Up For Sale," investment banker Lloyd Grief explained to the Los Angeles Times:

> **". . . the board probably seized on that opportunity to get rid of Charney after his shares were diluted."**
> "Previously Dov held all the marbles," he said. "By floating that [stock offering], he went from a position where he clearly had the ability to control to a position today where he is a large shareholder."

Charney is Pushed Out of the Company He Founded

55. The Company filed a Form 10-K with the SEC in April 2014. In the document, Charney was portrayed as an integral part of the Company. Similar to what Standard General presented to the

Board in March, 2014, the filing states, "In particular, we believe we have benefited substantially from the leadership and strategic guidance of Dov Charney. The loss of Dov Charney would be particularly harmful as he is considered intimately connected to our brand identity and is the principal driving force behind our core concepts, designs and growth strategy."

56. Indeed, by mid-2014, the Company's profitability while under Charney's leadership was showing strong improvement. This was due to improving efficiency at the La Mirada distribution center and the streamlining of operations and reductions of cost at the store and factory levels, both efforts led by Charney. The Company's first quarter financials showed a $2 million earnings improvement in Adjusted EBITDA, and the Company projected earnings in the range of $40-50 million in Adjusted EBITDA for the year, a significant improvement to the $8 million achieved in 2013. The Company projected adequate cash flow to make the next two semi-annual bond payments, and the Company was holding its ground in sales. Charney informed the Board that the Company was performing ahead of it financial plan, and that he planned to spend the second half of 2014 building the Company's sales. Indeed, the Company's second quarter results, which were later reported in August, showed that Adjusted EBITDA for the quarter had almost doubled from the prior year, at $14.6 million versus $7.8 million. However, the Company's financial situation was still precarious given the high level of debt Luttrell had convinced the Board to put on the Company, and Charney was committed to completing the Company's turnaround by focusing on additional increasing sales and EBITDA.

57. The Company's annual shareholder meeting and subsequent Board meeting were both scheduled for June 18, 2014, in New York City. A number of matters were to be considered at the annual shareholder meeting, including the re-election of Board members **Danzinger**, **Greene**, and **Mayer**.

58. Prior to the meeting, in late April, the Board issued and filed with the U.S. Securities and Exchange Commission ("SEC") a proxy statement soliciting shareholder votes for the June 2014 annual meeting. In the proxy statement, American Apparel represented to its shareholders that "The Nominating and Corporate Governance Committee and the Board of Directors each believes that Mr. Charney, as the founder of [American Apparel] . . . , provides our Board with an informed perspective on the Company and the apparel industry and the perspectives and judgment necessary to guide the Company's strategy and monitor its execution." The Board further lauded Charney's management acumen, and

committed to retaining Charney not only as CEO but also as Chairman of the Board, stating:

> "Dov Charney, who serves as both our Chief Executive Officer and Chairman of the Board, leads and provides strategic guidance to the Company's management team, each of whom has experience in the apparel industry. . . . The Board of Directors has determined that the combination of these roles held singularly by Mr. Charney is in the best interests of all stockholders given that Mr. Charney founded the Company, is considered intimately connected to American Apparel's brand identity and is the principal driving force behind American Apparel's core concepts and designs. . . . Mr. Charney's combined role promotes unified leadership and direction for the Board and executive management and allows for a single, clear focus for the Company's operational and strategic efforts."

59. Luttrell and Members of the Board made similar representations directly to Charney prior to the Board meeting. In early June of 2014, Luttrell and Charney had numerous calls and face-to-face discussions in which the two discussed Charney's financial plans for American Apparel for the latter half of the year, and Luttrell agreed to assist Charney with his plans. On June 16, 2014, Mayer told Charney by telephone that all was well and he looked forward to working with Charney in the year to come. Likewise, on the morning of the Board meeting itself, Mauer, Greene, and Danzinger each told Charney that they were pleased with his leadership. Mauer, for example, spoke with Charney on the phone prior to the meeting, whereby Mauer seemed completely enthusiastic about the business and Charney's leadership. Several days prior, Mayer contacted Charney, and told him he was on vacation and that he was looking forward to seeing him in New York City, and not to be concerned with the agenda of the meeting and that they would have lots of time to talk after the annual meeting. At no time did any member of the Board or anyone indicate to Charney in any way of any plans to oust him; that he would be fired after the Board meeting; that they would make any alleged accusations against him or that they were investigating him for any purported wrongdoing.

60. After publicly committing to Charney's continued leadership of the Company, Luttrell and the Board began to pressure Charney to vote his shares to assure that Danzinger, Mayer, and Greene were re-elected. A week before the scheduled Board meeting, Luttrell wrote to Charney's colleague, Caroline Crespo, "It is important that you have Dov vote his shares. Did you get his proxy statement?" On June 12, Luttrell again wrote to Crespo, "I was hoping you would get [the proxy statement] from him and vote his shares online? Can you do that? Does he know to take the survey online? If you need my help let me know." Even after Caroline Crespo voted Charney's shares online, Luttrell asked that

Charney revote his shares in writing. Charney voted his shares as requested. The existing Board members **Danzinger**, **Green** and **Mayer** were re-elected, predominantly with Charney's votes. **Indeed, there would not have been a quorum without Charney's votes, and the directors would not have been elected.**

61. But in a shocking bait and switch, **minutes later**, in the subsequent Board meeting, Board member **Mayer** informed Charney that, effective immediately, both Charney's role as CEO and employment with American Apparel were being terminated.

62. **Mayer** went on to present Charney with two options.

63. The first option was for Charney to accept a severance package and be repositioned as a paid creative consultant earning over a million dollars, plus $500 per hour as a severance compensation package. Charney would need to sign over the voting rights of his 47 million shares to the Board and resign as CEO. A "positive" press release was presented to Charney with language stating, "We are grateful to Dov Charney for his dedication and visionary leadership in creating one of the most powerful and widely recognized apparel brands of the last twenty years. . . . We look forward to Dov's continued contributions to the company in his new role." The Board specifically gave Charney only until 9:00 p.m. that same evening of the Board meeting to accept this severance package or it would be withdrawn, where Charney was entitled to at least twenty one (21) days to consider any proposed severance package under applicable law. The Board violated Charney's legal rights by refusing to give him any opportunity to respond to these unlawful demands by the Board for his resignation as CEO and attempt to "buy him off" and take his shareholder voting rights.

64. The second option was for Charney to be fired "for cause." Members of the American Apparel Board warned Charney that if he refused to accept the first option, the Board would terminate his employment and publicly destroy his character publicly with false and misleading claims against his personal and professional reputation. Charney was presented with a Notice of Intent to Terminate Employment (the "Termination Notice") effective that day citing issues relating to false allegations of alleged misconduct. The Board threatened to release the Termination Notice publicly if Charney did not agree to quietly cede all control to the Board. When Charney tried to address the allegations in the Termination Notice, he was cut off and prevented from presenting any response. Board member **Greene**

explained that the allegations were irrelevant as the Board had already determined that Charney would no longer be CEO. The Board clearly violated Charney's legal and contractual rights when it gave Charney only until 9:00 p.m. that same evening of the Board meeting at which time he was effectively terminated allegedly "for cause" in direct violation of his written Employment Agreement requiring a thirty (30) day notice period for termination and opportunity to "cure" any alleged "cause" for termination within the thirty (30) days, which specifically states, in pertinent part:

> "(iv) The date of termination of employment by the Company pursuant to this Section 7(a) . . . (termination "for cause") shall be the date specified in a written notice of termination from the Company to the Executive . . . (Charney), which, in the case of a proposed termination to which the 30-day cure period provided for . . . (in the section defining the requisite "cause" for such termination) above applied **shall be no less than 31 days after the delivery of such notice to the Executive**. . ."

Charney's Employment Agreement specifically and expressly stated, after describing definitions of "cause" for termination, none of which have ever been proven against Charney, as follows in pertinent part:

> ". . . provided, however, that in no event or circumstance shall . . . (the alleged "cause" for termination) be considered to constitute Cause within the meaning of this Clause (ii) **unless the Executive . . . (Charney) has been given written notice of the events or circumstances constituting Cause and has failed to effect a cure thereof within 30 calendar days following the receipt of such notice.**"

65. Charney repeatedly asked if he could have a few days or a week to consider his options and consult with legal counsel. His requests were denied, despite his legal and contractual rights to up to thirty (30) days to respond to his termination and cure. After Charney left the Board meeting, **Mayer** told him, "You have no choice. If you don't give us your support and resign, we are going to destroy your character." That evening he wrote Charney, "It's now 6:15. We're willing to give you until 7 to tell us what you want to do. If we don't hear from you by then, we will assume you've rejected our offer." Charney was being blackmailed by the actions of the Defendants who sought to fire him and disenfranchise him as a shareholder and by a Board that was now taking these and other actions against the interests of the Company and the shareholders which the Board was supposedly there to protect.

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66. In fact, the Board sent a document in writing specifically calculated to prevent Charney from any possibility to "cure" any of the allegations of "cause" for his termination, to effect his immediate ouster from the Company in direct violation of his right to a thirty (30) day notice period and the right to "cure;" and to effectively deprive him immediately, improperly and unlawfully from defending against any of the false and fraudulent claims of alleged "cause" for termination which stated as follows, in pertinent part:

> "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 on the unauthorized disclosure of, or trading while in possession 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 and the Employment Agreement."

67. Charney was not "suspended," he was actually and effectively terminated on June 18, 2014, without notice and in violation of law and his Employment Agreement. Charney was basically cut off from the Company, making it impossible for him to connect with supporters within the Company, or receive communications from supporters or to pursue defenses to their accusations of alleged "cause" for the termination, creating an atmosphere of coercion, fraud and bad faith on the part of the Board to weaken and interfere with Charney's legal rights. On June 19, 2014, Charney engaged legal counsel, to respond in writing to the coercive, illegal, wrongful, fraudulent and otherwise improper conduct relating to the Board's unlawful termination of his employment, which was in direct contravention of the statements of confidence from the Board before the Shareholder's Meeting and the proxy statement attesting that the Company would retain Charney's leadership; in violation of law in refusing Charney any time to consider the severance package; in direct violation of express terms of Charney's

Employment Agreement with the Company requiring that any termination be upon thirty (30) days' notice to cure any allegations of "cause" for termination; the immediate attacks upon Charney's personal and professional character; and all other violations of Charney's legal rights. A true and correct copy of that June 19, 2014 letter from Charney's counsel Patricia Glaser of Glaser Weil Fink Jacobs Howard Avchen & Shapiro, LLC to the Company's lawyers who effected Charney's termination, Jones Day, LLP, is attached hereto, marked as **Exhibit "A"** and incorporated herein by this reference.

68. When Charney refused to resign and turn over his voting rights, the Board launched an immediate campaign designed to harass, intimidate and slander him, with false, fraudulent and/or intentionally misleading attacks upon his personal and professional reputation, and intended to disenfranchise his shareholder rights. Charney was rendered emotionally distressed and vulnerable after the Board started its negative and defamatory media campaign against him. He was denied the ability to contact his supporters or access information required to respond to these accusations. His friends and employees who remaining with the Company were terrorized with threats of termination or adverse employment actions and were told not to communicate with Charney. Charney's father was fired instantly after Charney's termination. The Board ultimately paid millions of dollars to effectuate their fraudulent and improper attacks, involving lawyers, public relations experts, and other media manipulators.

The Board Attacks Charney to Prevent Him from Regaining Control

69. One of the first actions the Board took to prevent Charney from regaining control of the Company was to make false statements to an individual who was planning to assist Charney. During a breakaway from the June 18, 2014 board meeting, Charney contacted the second largest shareholder, Johannes Minho Roth ("Roth") of FiveT Capital. Roth, whose firm owned over 11% of American Apparel's stock, had been a vocal of supporter of Charney, even having been quoted by Bloomberg News in April referring to Charney as "a visionary." Roth suggested that they collaborate to conduct a written consent solicitation to take control away from the renegade Board, for which they would only need to obtain the support of shareholders owning an additional 12% of the Company's stock.

70. After the meeting, Charney contacted Luttrell to inform him of what had occurred, and to ask if Luttrell had known that the Board was planning to fire Charney. Luttrell claimed that he had

been completely unaware of what the Board had planned, and in fact was on Charney's "side." Accordingly, Charney told Luttrell that he was working with Roth, and that he hoped to soon regain control of the Company.

71. Luttrell, however, was working with the Board all along. Immediately upon hearing Charney's plans, Luttrell informed the Board that they were in danger of again losing control of the Company unless Roth was neutralized.

72. A Board member then contacted Roth directly and told him, with the full knowledge that his statements were false, that Charney was being investigated for matters "criminal" in nature. As a direct result of the false representations to Roth, Roth informed Charney that FiveT could not partner with him in his battle to retake the Company because of the false allegations of criminal activity.

73. The Board also engaged in wide-ranging character attacks against Charney. The Termination Notice, which contained information regarding three different employees' legitimate and confidential severance packages and falsely characterized as improper, was leaked to media outlet BuzzFeed. The Termination Notice also included confidential details involving a multi-million dollar sexual harassment claim that had been summarily dismissed in arbitration.

74. Additionally, a personal video of Charney naked was leaked on the internet by the Company which immediately went viral and which was designed to humiliate and shame Charney.

75. The Company further paid hundreds of thousands of dollars to a public relations firm hired to engage in a campaign to ruin Charney's character, just as Mayer had promised. Just as the Board Members had done with FiveT, the public relations firm sought to create enough negative press on Charney that he would be unable to enlist other shareholders to regain his position in the Company.

76. These actions were in direct conflict with the prior positive language in public filings regarding Charney's essential contribution to the Company, as well as the press release the Board offered as part of its blackmail efforts to release if Charney acquiesced to the Board's demand that he resign. In short, the Board was willing to say and do whatever it needed to further its own interests. These actions also placed significant duress on Charney and caused him substantial emotional distress.

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Charney is Fraudulently Induced to Compromise His Position in the Company

77. Following the June 18, 2014 Board meeting, Charney was no longer acting as CEO of the Company. However, Charney still owned 27 percent (27%) of the outstanding stock. That stock was a hugely important voting block.

78. As a result of Charney's ouster, Standard General saw an opportunity to gain control of the Board and the Company. Despite Lavan's representations to Charney that Standard General were "not vultures," and supported Charney's leadership of the Company, the opposite proved to be true. Standard General saw that with Charney out of American Apparel all that it needed to take effective control of the Company was to neutralize Charney's 27% voting block .

79. Accordingly, immediately following Charney's ouster as American Apparel's CEO, Lavan reached out to Charney, purporting to offer a plan for him to work with Standard General to regain control of the Company.

80. Lavan at all times told Charney that they were absolutely certain the Company was better off with Charney at the helm, as it was Charney's entrepreneurial spirit and ethic that had grown the Company in the first place. Further, Lavan stated, "We realize there is no reason whatsoever for your firing" and claimed that they were as shocked by American Apparel's actions as Charney was. Lavan sat down with Charney and went over the entire Termination Notice, line by line for hours on end. As part of Standard General's due diligence into American Apparel earlier in the year, Standard General had already investigated all of the facts associated with the accusations in the Termination Notice, and had found them to be meritless. Over the course of several discussions, Lavan reiterated to Charney that the allegations of the Termination Notice were meritless, and that Standard General would get him back in control of the Company within two to three weeks. Given that the Company was still in midst of a turnaround, Charney believed strongly that time was of the essence and that he must regain control for the benefit of the Company as each day that passed when he was not managing the Company, posed a greater risk to Company shareholders.

81. Thus, Standard General offered to loan Charney money to repurchase more shares of American Apparel. The shares would be security for Standard General's loan, and Standard General would work with Charney to assure that, with the increased Charney stake in the Company, he could

"take back" American Apparel.

82. On June 22, 2014, Lavan sent Charney an email attaching a picture of Lavan standing at the peak of an overlook at Machu Pichu. Lavan wrote, "If I could do this, we can definitely take back APP [American Apparel's stock symbol]." A true and correct copy of this email is attached hereto, marked as **Exhibit "B"** and incorporated herein by this reference.

83. On June 24, 2014, Charney met with Lavan and David Glazek ("**Glazek**") to discuss the terms of the deal. Also attending the meeting was Iris Alonzo, the former creative director at American Apparel who was fired shortly after Charney's firing for her association with Charney.

84. At the meeting, Lavan and Glazek promised that Standard General would partner with Charney to achieve the goal of having him reinstated as CEO. Indeed, Glazek promised that Standard General would help Charney "take control of your company immediately" and "In three years, you will own 50% of the company free and clear." Glazek further stated, "This is a great deal for you. You are going to control your company immediately, and you are only going to give us 10% of your upside. It's an amazing deal for you." As an alternative to partnering with Standard General, Charney had strongly considered working to form a coalition with other stockholders in the same manner that he had intended to work with Roth of FiveT. Based on the representations of Standard General, he justifiably relied upon their promises and assurances, believing that he could regain control of the Company much more quickly working with Standard General, which was important given his belief that the Company's turnaround would be jeopardized if he was out of the Company for too long. Charney would not have worked with Standard General in the absence of their promises and assurances, and further relied upon those representations, since a delayed take back of the company could have been devastating for Charney and all of the other stakeholders of the company including employees, suppliers, investors and customers.

85. Convinced by Standard General's representations, at approximately 2:00 a.m. on June 25, 2014, Charney and Standard General executed a letter agreement (the "Letter Agreement"), a true and correct copy of which is attached hereto, marked as **Exhibit "C"** and incorporated herein by this reference. Standard General presented the Letter Agreement to Charney only hours before it was signed. Pursuant to the Letter Agreement, Standard General agreed to lend to Charney funds to purchase additional shares. The Letter Agreement further provided that the parties would enter into a Cooperation

Agreement by which the shares subject to the agreement would be voted only pursuant to the agreement of both Charney and Standard General. As Charney was signing the Letter Agreement, Glazek again promised and assured him that he and Standard General were entering into a partnership with the ultimate goal to have Charney reinstated as CEO and all voting decisions would be made towards that goal. Charney would not have signed the Letter Agreement without that promise and assurance from Standard General through its authorized representative, Glazek.

86. As contemplated in the Letter Agreement, Charney and the Standard General entities also ultimately entered into various other agreements evidencing and securing the Loan. These agreements were prepared and executed in Los Angeles, and include a Credit Agreement, the associated Notes, a Pledge Agreement, a Warrant Agreement, and the Cooperation Agreement (collectively, the "Agreements"). Attached hereto, marked as **Exhibit "D"** and incorporated herein by this reference is a true and correct copy of the Cooperation Agreement by and between Standard General L.P. and Charney. Attached hereto marked as **Exhibit "E"** and incorporated herein by this reference is a true and correct copy of the Warrant Agreement by and between P Standard General Ltd., Standard General Master Fund, and Charney.

87. Not only was Charney fraudulently induced to sign the Standstill Agreement, but in many respects he had little choice but to do so. Standard General had already fraudulently induced him to sign the cooperation agreement with them whereby he granted them control over his stock. Once they had control over his stock, the power dynamic between the two parties was so disproportionately uneven, that Charney had no choice but to acquiesce to their demands. Remarkably, Charney received almost no consideration let alone fair consideration from the Standstill Agreement and his consent was obtained by duress, fraud and coercion.

88. After executing the Letter Agreement, Standard General spent three days purchasing stock, and was able to acquire the required block of shares.

89. Charney and Standard General effectively entered into a partnership to work together to achieve the promises made by Standard General upon which Charney specifically relied upon in entering those Agreements, with the understanding that it was their mutual goal of placing him back in control of the Company. Charney would not have entered into those Agreements with Standard General in the

absence of those promises, representations and assurances.

90. Accordingly, pursuant to the Letter Agreement, on June 27, 2014, Standard General loaned Charney the aggregate principal amount of $19,556,256.00 (the "Loan"), which was used by Charney to purchase American Apparel stock directly from Standard General.

91. However, Standard General had no intention of keeping its promises to Charney. Instead, it began to work to induce Charney to further compromise his rights in order to entrench its position in the Company.

92. Thus, on or about June 30, 2014, Lavan called Charney at 5:00 in the morning and told him that Soohyung Kim, Standard General's chief executive officer ("**Kim**"), wanted to talk, and that both he and Charney needed to meet Kim "on an emergency basis." Lavan said that Kim was in "freak out mode" and the matter could not be discussed over the telephone. Charney immediately met Lavan, where they proceeded to meet Kim at a private location in Central Park, New York, where Charney was told "no one could hear us talking." Kim then made various representations that he was being "crucified" by his limited partner investors who were reacting negatively to his partnership with Charney. Specifically he told Charney that one investor, PAAMCO, had just pulled $300 million from his fund as a result of his association with Charney, and that he was on the brink of losing his hedge fund. Kim emotionally pleaded with Charney to help him save his hedge fund or they were all "going to die." All during the meeting, Kim was scratching himself "to a bleed" in panic. In this meeting Kim gave Charney his oath, that the end result would be the same as promised when they entered the subject Agreements, no matter what, that he had no intention of taking control of the Company or interfering with Charney's interests, and he assured that Charney that he would be running the Company as soon as possible. He grabbed Charney's face and told him, "Trust me, otherwise we are all out of business." Charney was led to believe he had no choice and was induced to go along with Kim's plan based upon these representations and promises, and in light of the voting agreement with Standard General.

93. Kim then begged Charney to "lay down" claiming Kim must give his investors the impression that he was acting independent of Charney. In the days to come, Kim and his partners Lavan and Glazek proposed that instead of taking back the Company by way of a hostile proxy contest, Charney and Standard General would "settle" with the American Apparel Board offering assurances that they

would keep their promises. In order to give the appearance that Kim was in total control and not controlled by Charney, Kim said that Charney would need to agree to temporarily step down from the Board. Kim further told Charney that any written agreement could not explicitly include Standard General's promise to have Charney reinstated as CEO because then the Board and Standard General's investors would know that Standard General was acting in concert with Charney.

94. Additionally Kim and Glazek insisted that in order to get the Board to agree to a rapid settlement, that an "investigation" of Charney was necessary. Otherwise, they said that the Board would never agree and there would be extended litigation. Kim represented to Charney that there would only be a short "investigation" merely to offer assurances to Standard General investors that there was at least some semblance of process and that Charney would soon return to controlling the Company "within a matter of weeks." Based thereon Kim told Charney that he should follow Kim's lead and agree to the settlement. Kim manufactured a false sense of urgency that the Board members would imminently change their minds about the proposed settlement, that this was the absolute fastest way for Charney to regain control of American Apparel and as such he fraudulently induced Charney to agree to these terms. Kim and members of the Standard General team insisted that "once the dust settled" Charney would be allowed to appoint Board members. They further promised that the investigation would have a defined scope with a focus on whether Charney's employment agreement had been breached. Furthermore there were promises that the actions of the Board and the event leading up to the termination of Charney and the misleading proxy statement would be investigated. Kim insisted this would be the best way to hold the Board accountable. Kim promised Charney that the investigation would also include inquiry into the legality and propriety of the actions taken by the Board in terminating Charney in June. Kim promised Charney that the investigation would be turned against the Board members who had attempted to defraud Charney, and assured him the end result would be a victory for Charney. Nonetheless, their real goals were to protect their hedge fund and their ability to manage their relationship with their limited partner investors - not to protect the interests of American Apparel or Charney.

95. Kim represented, promised and assured Charney that Standard General would put him back in control of the Company, and that Charney could "tap . . . [him and Standard General] out" at any time by repaying Charney's Loan, and Charney would be able to cancel all of the Agreements. In

other words, Kim said, "you have an insurance policy if anything were to happen."

96. Part of the agreement procured by Kim's false representations was that there would be an "investigation" of the allegations of wrongdoing by the Board against Charney, of the false claims against Charney as set forth in the Termination Notice.

97. Kim went so far as to visit Charney at his apartment and plead with him to let him manage the orchestration of Charney's return. In inducing Charney to agree, Kim said, "Once I get in, I will control the situation and the outcome and I promise to take care of you. It will take only two weeks and you will be right back in, three weeks at the worst." He explained how he was going to put in board members, whom he controlled and there would be absolutely no problem. "Let me get the tip in," he kept saying.

98. Following a variety of phone calls with Glazek and visits from Lavan through whom Standard General continuously promised that Charney would be put back in control of the Company, on July 9, 2014, Charney, American Apparel, and Standard General entered into a Nomination, Standstill and Support Agreement (the "Standstill Agreement," collectively with the Letter Agreement, the Cooperation Agreement, and the Warrant Agreement, the "Agreements"). A true and correct copy of these documents are attached hereto, collectively marked as **Exhibit "F"** and incorporated herein by this reference.

99. Pursuant to the Standstill Agreement, the parties agreed that the majority of the directors of the Board, including Charney, would resign. The resigning directors would be replaced by three individuals designated by Standard General and two individuals nominated by Standard General and approved by American Apparel. All five individuals appointed to the Board had ties to Standard General, including Glazek, Joseph Magnacca (who was CEO of Radio Shack), and Thomas Sullivan (who serves on the board of Media General, Inc. with Kim). Although Charney was not to be designated, Kim again falsely represented to Charney that through its voting shares and control of the Board of Directors, Standard General would ensure that Charney would soon once again be CEO of the Company.

100. Charney was extremely reluctant to resign from the Board, and was induced to do so only after all of the representations, promises and assurances by Kim over a period of several days, in which Kim reiterated that Charney had nothing to worry about. With Charney's resignation, the American

Apparel Board would now be entirely comprised of individuals without any experience operating a company involved in apparel retailing or apparel manufacturing.

101. Standard General's promises to Charney prior to and after the Standstill Agreement were fraudulent inducements to entice him to not object to Standard General's takeover of the Company. Rather than working with Charney to exonerate him and to put him back in control of the Company, in fact, all along Standard General had been working with American Apparel to ensure that Charney's ouster would remain permanent. On information and belief, Kim and Glazek had several meetings and calls with Luttrell and members of the Board prior to the execution of the Standstill Agreement in which they conspired to determine the best way to induce Charney to give up his rights. Luttrell and the Board members, who had worked with Charney for years, knew what to say to convince Charney to agree to the deal. Thus, Luttrell and the Board members directed Standard General behind the scenes, providing substantial assistance in Standard General's and American Apparel's mutual goal of preventing Charney from regaining control of the Company.

102. Standard General and American Apparel's collaboration successfully defrauded Charney. The investigation of Charney was a sham from the start. This is apparent as the current Board of American Apparel had previously offered Charney a position as a paid creative consultant with American Apparel if he would give up voting control of his shares and resign from Board, which they would never had done if there was any truth to the grounds stated in the Termination Notice.

103. Notably, the Board retained the same law firm that had prepared the Termination Notice and represented the Company in connection with Charney's June 18 termination to run the investigation. Charney's legal counsel sent a letter dated July 28, 2014 stating as follows, in pertinent part:

> "First, as we have explained before, we do not believe Jones Day should play any role in the Investigation. Our concerns have been completely ignored. The Investigation cannot proceed without proper oversight by the Suitability Committee, and the Suitability Committee has not yet been formed. Once the Director Resignations become effective on Saturday August 2, 2014, and the Suitability Committee is appointed, we wish to meet with that Committee right away to discuss next steps, including, among many other topics, an appropriate date and time for Mr. Charney's interview.
>
> During the initial meeting with the Suitability Committee, we also want to discuss the status of the FTI Investigation and the schedule for concluding the Investigation as quickly as possible. There are several threshold issues that need to be addressed. First, we have uncovered evidence to suggest that John Luttrell and at least one Board member appear to have decided to terminate Mr. Charney and sell the Company in early 2014. This was before any investigation

into Mr. Charney had even begun and before the Company filed its Form 10K for 2013, on April 1, 2014, in which the Board described Mr. Charney as critical to the Company's future success because he "is considered intimately connected to our brand identity and is the principal driving force behind our core concepts, designs and growth strategy." If confirmed, this would be highly relevant to the Suitability Committee's work. The Suitability Committee has been tasked with overseeing the Investigation and ensuring that the process is fair to all. If the Investigation was commenced after the decision to terminate Mr. Charney already had been made, then the Investigation was a sham from its inception, and the findings and recommendations that emerge from the Investigation should be given no weight.

In connection with this issue, it is critically important that we be given access to any and all Company documents from at least January 2014 to present that relate to a potential sale of the Company (including communications with Peter Solomon), to the purported termination of Mr. Charney on June 18, 2014, and to the investigation into his alleged "misconduct." These documents necessarily include, but are not limited to, all communications (including emails) on these topics sent or received by John Luttrell. Pending production, please confirm that all such documents will be preserved and that none will be deleted or destroyed.

A second threshold issue is the makeup of the Suitability Committee. Although the Agreement provides for David Danzinger to sit on the Suitability Committee, we recently obtained information, subsequent to the execution of the Agreement that should disqualify Mr. Danzinger from such service. Indeed, we believe that the information we have obtained should disqualify Mr. Danzinger from further service on the Board. We intend to raise our concerns with the Suitability Committee at the earliest opportunity.

A third threshold issue is the proper scope of the Investigation. As we have stated before, to the extent the Investigation is focused on alleged "misconduct" by Mr. Charney, the sole question should be whether the Board had "cause" to terminate Mr. Charney on June 18, 2014. There is no legitimate basis for expanding the Investigation to include other issues that had no bearing on the Board's decision. Having represented that Mr. Charney was critical to the Company's future success in April 2014, the focus of the Investigation must be what allegedly occurred after that date to change the Board's opinion.

To be clear, we should not be required to participate in an investigative process that is unfair and which deprives Mr. Charney of the rights and protections afforded by the Agreement. We are particularly baffled by Mr. Naeve's request today that we provide a "written statement with respect to the Notice of Intent to Terminate, preferably before close of business Friday, August 1, 2014." Despite numerous requests, we have been denied any information regarding the status and scope of the Investigation. The serious concerns we have raised about Jones Day's efforts to assume "oversight" responsibilities have fallen on deaf ears. Similarly, our repeated requests for documents and information have been ignored. (See, e.g., Letter to R. Naeve dated July 2, 2014 detailing the information and documents we need to understand and respond to the charges that have been leveled against Mr. Charney.) We need substantive responses to our requests in order to prepare for FTI's interview of Mr. Charney. We also need the requested information to ensure that we are in a position "to ask questions and respond to such evidence and preliminary findings" at the Preliminary and Final Meetings with the Suitability Committee. Without access to such basic information, we will have no ability to participate in the Investigation in the manner set forth in the Agreement, and the Agreement's provisions regarding the Investigation will be undermined, if not rendered completely meaningless.

We have been requesting relevant information and documents for many weeks. We are running out of time. Please provide the information and documents we have requested without further delay, and in no event later than close of business on Wednesday, July 30, 2014."

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104. To make matters worse, no Suitability Committee was appointed for weeks, thus allowing the sham investigation to proceed without oversight and run by people who had already caused Charney's termination on June 18, 2014. By letter dated July 17, 2014 Charney's attorney stated as follows, in pertinent part:

> "I do not understand your point regarding the effective date of the Board resignations. Regardless of when the resignations become effective, the resigning Board members have no role to play with respect to completion of the Investigation. They should not be continuing to oversee the Investigation because they are not part of the Suitability Committee. Similarly, neither Mr. Keller nor Mr. Mayer are part of the Suitability Committee. Although Mr. Danzinger will be on the Suitability Committee, he cannot purport to oversee the Investigation now because the other Committee members have not yet been selected.
>
> We do not see how Mr. Keller's attempts to interview Company employees about the details of Mr. Charney's personal life can be characterized as an effort to "assist in facilitating FTI's investigation." Mr. Keller's present role as interim General Counsel does not transform his acts of interference into acts of assistance. The Suitability Committee should decide what role, if any, Mr. Keller will play in completing the Investigation. From our perspective, Mr. Keller should play no role at all. One of the purposes of the Agreement was to ensure that Mr. Charney receives some level of due process in connection with the Investigation. Mr. Keller's continuing involvement seriously undermines this purpose. Like most of the resigning Board members, Mr. Keller already has prejudged Mr. Charney's suitability to serve as CEO. He helped to orchestrate Mr. Charney's ouster and formally took the position that there was "cause" to terminate Mr. Charney in mid-June, before FTI had even begun its work.
>
> It is obvious that Mr. Keller and possibly others at the Company are determined to interfere with the Investigation process that was agreed to by the parties. Please provide us with assurance that the Investigation will be completed fairly and in accordance with the process set forth in the Agreement."

105. Charney's investigation ultimately spanned across six months, far longer than the two weeks Standard General had promised, and it was represented to Charney that the Board spent Company funds of more than $10 million dollars of the Company's money on the "investigation." During the purported "investigation" Charney was denied the right to communicate with any of the investigators, contrary to the provisions of the Standstill Agreement, or any other semblance of due process and thus was effectively prevented from presenting his own evidence and rebuttal of the biased investigators' conclusions. Indeed, through his counsel, Charney repeatedly requested and was denied documentation and information to assist him in his defense, which he was entitled to under the terms of the Standstill Agreement, and each time he was refused by the then current Board of American Apparel and the Suitability Committee.

106. Charney repeatedly alerted Standard General to the fact that the process was not proceeding as they agreed, neither as had been agreed verbally between Standard General and Charney, and also not as had been memorialized contractually between American Apparel and Standard General and Charney.

107. When Charney brought this again to Kim's attention in early October, Kim reacted: "...that would mean that I failed in my stated mission to bring impartiality and fairness to this situation. . ." but took no action to redress the problems. Despite the fact that Standard General had appointed a majority of the Board, Standard General proved unwilling to steer the process back within the terms that had been agreed by the parties to the Standstill Agreement. Charney's legal counsel informed the Board by letter dated December 12, 2014, of these problems, stating as follows, in pertinent part:

> "We received your most recent letters rejecting all of our requests for information and documents, rejecting all of our requests for access to key witnesses to whom FTI Consulting had access, and rejecting our request even for an electronic copy of the FTI binders to facilitate our review.
>
> The Board's continuing refusal to provide us with the information, documents and access to employees that we need to refute meaningfully the charges that have been leveled against Mr. Charney is contrary to both the letter and spirit of the Nomination, Standstill and Support Agreement ("Support Agreement") and is inconsistent with numerous promises that have been made to Mr. Charney by the Board (including members of the Suitability Committee) and by Standard General, not to mention principles of due process and fundamental fairness.
>
> We believe that the investigation of Mr. Charney, which began some unspecified time before his ouster and continued for months thereafter, has been a complete sham. We have detailed for you the many, many reasons why the investigation has been flawed from its inception, including among other things the role that Jones Day played in the investigation, the problems with the scope and purpose of the investigation, and the irrefutable evidence of bias and even misconduct by members of the Board and Suitability Committee. We will not revisit all of those issues here. Nor will we attempt to catalogue all of the problems that have been covered- in prior correspondence. The investigation has been a farce all along—the first phase of which was designed to fire Mr. Charney and the second phase of which was designed to justify the initial termination decision, regardless of whether or not decision was justified and regardless of whether the conduct of the Board itself was wrongful. Some of the most egregious problems with the investigation have included the following:
>
> **Scope of Investigation**: We raised numerous concerns about the apparently unlimited scope of the FTI Investigation. Our concerns have been completely ignored. We still do not know what FTI was charged with doing or what they ultimately did. To the extent they conducted an investigation at all (and we know very little about this because their files have not been provided to us), it appears that they were allowed to "investigate" a wide range of issues that have no bearing on whether Mr. Charney was terminated for "cause" and no connection to the grounds for termination that initially were cited by the Board as the reasons for his ouster. We still do not know when FTI was hired or under what authority; we have not seen their bills or work product (no notes, no interview memos, no work plans, no emails}; and we have very little insight into the work that they performed. From the little that we have seen, FTI appears to have focused

primarily on activities that pre-dated the Employment Agreement and that have been known to the Company for years, none of which could possibly serve as cause for termination.

Makeup of Suitability Committee: We previously raised serious concerns about the makeup of the Suitability Committee. On our first call with the Suitability Committee, we were told that our concerns would be considered. Ultimately, we were told that there would be no changes to the Suitability Committee, and, in essence, "it is what it is." No discussion occurred; no explanation was given.

Involvement of Jones Day: The Board's decision to allow Jones Day to run the investigation, after the firm had played a leading role in the initial termination decision was plainly improper. There was never any possibility that Jones Day would even attempt to be fair in their approach, as was apparent from their correspondence and their conduct during the meetings. During our meetings with Jones Day, it was obvious that the Jones Day lawyers had prejudged Mr. Charney and that they are continuing to advocate for his termination, not for any legitimate reasons but because they want to justify the initial recommendations. We have not been given access to the Jones Day invoices but the Company's public disclosures suggest that the amounts charged by Jones Day for completing its work have been enormous—in the millions of dollars. And to what end? After months of work and millions of dollars, the "findings" of the investigation are ridiculously thin and patently insufficient to justify any adverse employment action, let alone a termination for cause and without any possibility of cure.

Investigation Materials: We have been denied access to the most important materials relating to the Investigation, including but not limited to documents evidencing the Board's decision to launch its investigation; the Board's authority and decision to retain Jones Day and FTI; and documents supporting the Board's initial determination that Mr. Charney had engaged in "misconduct" that supported his termination. The charges that FTI now asserts against Mr. Charney are materially different from those that were cited originally by the Board. Many of the initial charges have been dropped; and new charges (for example, the "liaisons") have been added. We should have the opportunity to see the underlying documents on which the Board initially relied and to compare those to the new and different information being cited now as a basis for termination.

Furthermore, we know that numerous witnesses who were interviewed by FTI presented information that was favorable to Mr. Charney and that refuted the charges that are now on the table. Why were their statements disregarded? Where are the interview memos? Where are the FTI notes? What did the witnesses say? We do not know, making it impossible to respond. We do know, however, that Jones Day and FTI disregarded information and evidence that contradicted their preconceived conclusions. They focused exclusively on attempting to gather facts that they hoped would justify the initial firing. We also know that FTI and Jones Day trampled on Mr. Charney's privacy rights in the course of their investigation, accessing and reviewing private materials that Mr. Charney allowed to be segregated onto a private, password-protected server at the Company's request. This has not been a fair process; it has been a travesty and a whitewash."

108. Moreover, despite Standard General's promises, the investigation focused in large part on Charney's alleged role in the creation and maintenance of "false, defamatory and impersonating blog posts about former American Apparel employees," as set forth in the Termination Notice. All of the relevant facts related to these blog posts had been known to American Apparel since 2011, and were discussed and discarded by Standard General as irrelevant during its early-2014 comprehensive due

diligence. Moreover, the actual findings in the blog-related arbitration directly refuted the Board's characterizations of Charney's conduct in the Termination Notice, finding that the Company was at fault, not Charney.

109. Further, pursuant to written agreement with the Company, American Apparel was responsible for paying Charney's legal fees associated with the investigation. However, American Apparel failed, refused and still refuses to pay the legal expenses as it was contractually obligated, causing Charney to incur more hundreds of thousands of dollars in legal expenses putting Charney's personal finances in jeopardy. When Charney complained to Kim that the company had refused to pay his legal fees, Kim wrote back, "That is not right. You should have just told me. You have the right to representation." Yet in spite of Kim's "concerns" and in spite of the fact that the Company spent well over 10 million dollars building a case against Charney, the Company nor Kim ever brought Charney's legal fees up to date to his continuing damage. Charney wrote back that it was haunting him that his fees were not paid. He texted Kim, "They need to be paid 150k this week. You paid everyone else but my lawyers. Shameful... You hate when I point the finger at you. You make me beg for simple things.." Kim then responded, "No I am trying to get another deal done and save 27,000 jobs." Charney responded, "I need control of my company now. I can get better upside from other investors who will relax the warrant dynamic if I hit certain bench marks. I am tapping you on the shoulder. Let's go. I don't even have an email and I can't go in my office. I feel like a criminal. David is a great guy... But I can get a better deal elsewhere. We are not having a healthy relationship. Let me go." Kim then responded, "Please do not message me again. You can talk to David."

110. Charney protested all of the above developments to no avail.

111. During the investigative process, Charney became anxious and repeatedly reached to Kim for reassurance as the entire process was taking longer than had been agreed. On July 30, 2014, Kim told Charney that he would push as hard as he could, but "you have to respect the kabuki dance[1]," the first suggestion that the process of reinstalling Charney would take longer than had been discussed. Then, on September 16, 2014, when Charney became concerned that Kim was going back on his word to allow Charney to "tap him out" (i.e., to repay the Loan and cancel all of the agreements between

1 A kabuki dance refers to an event that is designed to create the appearance of conflict or of an uncertain outcome, when in fact the actors have worked together to determine the outcome beforehand.

them), Kim assured Charney via text message, "You are welcome to take [buy] me out. I am a man of my word." Moreover, Kim stated, "I will welcome a meeting with any potential investor."

112. Thus, later in September, Charney sent an investment banker to New York to buy Standard General out.

113. However, at that point, to string Charney along and permit Standard General to further entrench itself in American Apparel's affairs, Kim changed tack and argued that it would be better for both him and Charney if they took the Company private.

114. Then, in October, Irving Place Capital sent a letter of interest regarding a buyout. Pursuant to the letter, Charney would "roll [] his shares and remain [] part of the new entity." But whereas Kim had previously encouraged Charney to find a private partner, as the option began to materialize, Kim began to work with American Apparel to aggressively attempt to foil Charney's efforts and became hostile toward Charney.

115. As to the possibility of Charney finding a partner to bring American Apparel private appeared to materialize, before the Suitability Committee had concluded its investigation or permitted Charney to present any rebuttal of the investigators' findings, Standard General and the Company demanded a release of all claims from Charney and refused to allow him to appoint Board members as previously promised and in exchange offered him a salary of $1.6M (twice that of his CEO salary) and 2.5 million shares of the Company if particular performance targets were met, in addition to other cash bonus opportunities.

116. Clearly, Defendants involved with the investigation on behalf of the Board and on behalf of Standard General, acted so as to assume a position of superior bargaining power against Charney, and owed him a confidential and fiduciary duty to conduct the investigation fairly and not to take advantage by using it to attempt to force him to relinquish his lawful rights as herein alleged.

117. **In December 2014, and after the Company had paid outside law and consulting firms more than $10 million, the Company summarily terminated the investigation, failed and refused to disclose the findings to Charney and terminated Charney once again on December 15, 2014.**

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118. Moreover, contrary to the provisions of the Standstill Agreement, Charney was never provided with (a) any investigative report; (b) copies of the entirety of evidence gathered by the investigators as part of their investigation; or (c) any opportunity to question or cross-examine the investigators with respect to their conclusions or evidence gathered; or (d) any findings of the investigation. Indeed, the Suitability Committee relied on its improper use of the afore-mentioned law firm to assert that the materials upon which it based its recommendations were "privileged."

119. Kim continued to work with the Board to foil Charney's efforts to regain control of the Company. In December 2014, the Company rejected Irving Place Capital's indication of interest to purchase American Apparel for $1.30-$1.40 per share, well above the closing price of $0.69 per share on December 17, 2014, the date prior to the news of the Irving Place offer being disseminated in the press. News of the bid on December 18 caused the shares of the Company to jump as high as over 50%. While acknowledging that the Company had chosen an investment bank to help evaluate takeover bids, and despite the fact that the high end of the offer range constituted a more than 100% premium to the previous trading price of the Company's stock, the Board characterized Irving Place's offer as "far too low."

120. Towards the end of 2014, communications between Charney and members of Standard General came to an end.

Charney is Deprived of the Opportunity to Complete American Apparel's Turnaround; American Apparel Struggles without Charney

121. Ever since the Board began the process to oust Charney, American Apparel has essentially become a company focused on supporting expensive law firms rather than producing quality, fashionable clothing. Although the Company was already struggling financially, in connection with the Charney investigation, the Company claims to have paid its attorneys and advisors more than $10 million in 2014.

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122. Going forward, the Company has acknowledged in public SEC filings that Charney's ouster would continue to be costly. In its 2014 Annual Report published in March, 2014, the Company stated:

> "There can be no assurance that Mr. Charney's termination and any transition in management arising from his termination will not have a material adverse impact on our business or our ability to hire and retain employees and executive officers. In addition, as a result of the findings of the Internal Investigation and/or the determination to terminate Mr. Charney for cause, we may incur liability as a result of litigation and regulatory investigations, which could have a material adverse impact on our business."

123. While following the Settlement Agreement, Charney was reinstated as paid employee of the Company, his ability to influence the company's affairs was severely limited as he was not given access to his email or the ability to come into the Company's offices. Without the benefit of his leadership, the Company performance had deteriorated. In the third quarter of 2014, the Company's net sales fell five percent compared with a year earlier.

124. Additionally, the Board began hiring executives into the Company without consulting with Charney, including the new Chief Financial Officer and General Counsel. While Charney had reached agreement with Glazek about hiring an executive from the turnaround firm Alvarez & Marsal as interim CFO to replace Luttrell, the Board instead appointed that individual as interim CEO. The Board also hired as CFO the former CFO of Fisher Communications, despite his lack of apparel industry expertise, on the basis that he had worked for Board director Colleen Brown, who had previously been CEO of Fisher Communications.

125. With the new executives on board, the Company promptly began to undertake various major changes in operations, without consulting with Charney, impacting areas such as merchandising, store replenishment, logistics, and others. The new executives also planned a large scale liquidation sale to clear out what they viewed as "obsolete inventory," despite the fact that the Company's inventory was at its lowest levels in years, and its reserve for obsolete and slow-moving inventory was also at historically low levels as of September 30, 2014.

126. Following Charney's termination in December, American Apparel's bottom line continued to deteriorate. Net sales for the fourth quarter of 2014 fell nine percent compared with a year

earlier as both retail and wholesale sales have tumbled.

127. The Company had just $8.3 million in cash at the end of 2014.

128. In light of the Company's declining sales, in April 2015, the Company reduced hours for manufacturing employees and laid off almost 200 manufacturing employees.

129. In order to make its April 15, 2015 interest payment to bondholders of approximately $13.8 million, the Company borrowed $15 million under a new credit agreement from Standard General on March 25, 2015. The Company stated in its Form 10-K filed with the SEC on the same date that it believed it had sufficient financing commitments to meet its funding requirements for the next twelve months.

130. On May 11, 2015, the Company reported its financial results for the first quarter of 2015. Sales fell nine percent compared with a year earlier, and the company reported the worst quarterly Adjusted EBITDA loss in its history. The Company also reported in its Form 10-Q that as of May 6, it only had $5.1 million available to borrow under its revolving credit facility, and announced that it had commenced a $10 million "at-the-market" offering program to sell common stock in the open market. When the market opened the following day, the shares of the Company traded as low as $0.59. While less than six months earlier the Board had rejected an indication of interest for the Company of $1.30-$1.40 per share as "too low," it was now preparing to sell shares in the open market in the range of $0.50-$0.60 per share, diluting existing shareholders in the process.

131. As of the filing of this Complaint, American Apparel's stock is trading at $0.50 per share.

132. While Charney is the legal owner of 43% of the Company's stock, by virtue of having appointed a majority of the Board directors, Standard General exerts effective control over the Company, and has been publicly accused of a conflict of interest with the remaining shareholders, (See http://www.prnewswire.com/news-releases/bigger-capital-warns-against-standard-general-conflicts-of-interest-at-american-apparel-300024967.html). Standard General has not and continues its refusal to cooperate with Charney, in violation of the various verbal agreements and contracts between the two parties. In the end, Standard General's goal from the onset was to wrest control of American Apparel from Charney pursuing a control stake to the detriment of their limited partners, Charney, employees, minority shareholders, suppliers, and the community as a whole.

133. Charney has been prevented from any opportunity for reinstatement or even election to the Board of directors, by the conspiratorial, improper, fraudulent and/or unlawful conduct of the Defendants as hereinabove alleged. After Charney's termination, approximately 180 employees have been terminated from American Apparel, remaining workers picket its facilities on a routine basis, its stock price has dropped dramatically and 2,500 of the Company's garment workers have signed union cards with the labor union "Hermanidad" calling for Charney's reinstatement. Over 800 employees of the Company have signed online petitions for Charney's reinstatement, many with comments of personal support in a website entitled "**teamdov-americanapparel.net**." Defendants, and each of them, are fully aware that: Charney would prevail in a full and fair election to the Board of American Apparel and acted to prevent him from running; that there was and is no sufficient grounds for his termination "for cause" and that he committed no illegal acts or any violation of the terms of his employment agreement or which would preclude him from assuming his former position with the Company.

FIRST CAUSE OF ACTION

VIOLATION OF CALIFORNIA CORPORATIONS CODE § 25401

(Against Standard General L.P., Standard General Master Fund, L.P., and P Standard General Ltd., and Does 1 to 20, Inclusive)

134. Plaintiff re-alleges and incorporates herein by reference, as though set forth in full, each and every allegation contained in paragraphs 1-133, inclusive.

135. Pursuant to the Letter Agreement, Standard General spent three days purchasing American Apparel stock. Standard General then loaned Charney money that Charney used to purchase that stock from Standard General. The stock at issue constitutes a security pursuant to California Corporations Code Section 25019.

136. Further, pursuant to the Warrant Agreement, Charney issued Warrant Certificates evidencing Warrants issued and delivered to Standard General Master Fund and P Standard General Ltd. These Warrants and Warrant Certificates constitute securities pursuant to California Corporations Code Section 25019.

137. By the acts set forth in more detail above, Standard General fraudulently induced Charney to purchase the stock, and to issue the Warrants and Warrant Certificates. Specifically, Kim,

Lavan and Glazek repeatedly promised Charney that if he purchased the stock pursuant to the Letter Agreement and entered into the Warrant Agreement and the other Agreements, Standard General would assist Charney in regaining control of American Apparel and in being reappointed as CEO. Further, Kim expressly promised Charney prior to the execution of the Warrant Agreement that if Charney paid the Loan in full, Standard General would relinquish all consideration including the Cooperation Agreement and the Warrant Agreement.

138. These representations were false. Standard General did not intend to and did not assist Charney in regaining control of American Apparel. Standard General did not intend to and will not relinquish the Cooperation Agreement or Warrant Agreement upon payment of the Loan. Defendants had no intention to perform these promises at the time they were made.

139. Standard General's misrepresentations were material. Were it not for Standard General's false representations, Charney would not have executed the Warrant Agreement or the other Agreements.

140. Standard General knew that without its false promises, deceit and material misrepresentations as described above, Charney would not have executed the Warrant Agreement or entered into any of the other Agreements with Standard General.

141. Standard General's misrepresentations have damaged Charney due to his loss of control over the American Apparel shares encumbered by the Warrants and Warrant Certificates, and interference with his rights to regain his position and prior control over the Company.

142. Charney is accordingly entitled to rescission of the Warrant Agreement or, in the alternative, for damages to be proven at trial.

SECOND CAUSE OF ACTION

INTENTIONAL MISREPRESENTATION

(Against All Defendants)

143. Plaintiff re-alleges and incorporates herein by reference, as though set forth in full, each and every allegation contained in paragraphs 1-142, inclusive.

144. As described in more detail above, the American Apparel Board made false representations to Charney to induce him to agree to the Equity Offering, including but not limited to

the statement that Charney would be given an earn-out to permit him to almost immediately recapture his equity position. Likewise, the American Apparel Board engaged in proxy fraud by filing a proxy statement touting Charney's continued involvement with the Company, and then immediately firing him after the shareholders' meeting and attacking his character.

145. American Apparel never intended to permit Charney to enter into an earn-out agreement that would permit him to recapture his equity stake. On the contrary, the Board knew at the time it induced Charney to agree to the Equity Offering that Charney would shortly be fired.

146. Likewise, each of the American Apparel Board members and Luttrell participated in the proxy fraud by which Charney was fraudulently induced to vote for the reelection of Danzinger and Mayer at the July 2014 Shareholders' Meeting. Each Board member and Luttrell ratified the proxy statement upon which Charney relied. Moreover, certain of the Board members and Luttrell as set forth above made express fraudulent statements to Charney that induced him to vote in favor of Danzinger, Greene and Mayer's reelection.

147. Likewise, Standard General promised Charney in connection with the Letter Agreement (and the associated agreements contemplated therein and ultimately executed by the parties, including the Cooperation Agreement and the Warrant Agreement), that Standard General would act to reinstate him in the Company and that Charney could "tap out" Standard General by repaying the Loan. Then, in connection with the Standstill Agreement, Standard General conspired with American Apparel to ensure that Charney would never regain control. Pursuant to the parties' conspiracy, Standard General promised that the investigation into Charney's conduct would be fair, and that Charney would be reinstated unless the investigation uncovered matters that were not included in the Termination Notice, and promising to reinstate him unless those charges were so severe that they would prevent Charney from being associated with the Company as a matter of law.

148. These representations were also false. Luttrell and American Apparel's Board knew at the time they issued the proxy statement and made representations to Charney that Charney would be given an ultimatum at or after the Shareholders' Meeting by which, either way, he would be terminated from any executive or Board position and lose control of the Company. Standard General never acted to reinstate Charney as CEO, and Standard General further reneged on its promise to cancel its

agreements with Charney upon repayment of the Loan. Standard General and American Apparel further took affirmative action to ensure that the investigation into Charney's conduct was a sham, and was not fair and impartial. Rather, they used the investigation to delay Charney from exercising his rights while they took action to assure he would not regain control. Rather, unbeknownst to Charney, Standard General and American Apparel were working together and made these fraudulent representations to assure precisely the opposite of what they were promising Charney. The charges against Charney's character were false and could not prevent Charney from holding his former position and all rights, or prevent him from being associated with the company, under the terms of his employment agreement or "as a matter of law.

149. Defendants knew that the representations described above were false when they were made. Defendants acted with the intent to deceive Charney and to induce him to agree to the Equity Offering and dilute his voting rights; to vote as requested at the June 18, 2014 shareholders' meeting and to execute the Agreements; and to "standstill" as he was induced into inaction during the alleged "investigation." Defendants knew that Charney would rely on these representations and omissions in entering into the various Agreements and taking the actions as herein alleged. Charney acted in justifiable reliance upon the representations of the Defendants, having no reason to suspect the true fraudulent purposed of that fraudulent conduct.

150. As a proximate result of Defendants' material misrepresentations, Charney was induced to agree to the Equity Offering, to vote as requested at the shareholders' meeting, and to enter into the Agreements, and to lose certain rights while waiting for the outcome of the alleged "investigation." Had Charney known that Standard General and the American Apparel Board had lied to him, he would not have agreed to the Equity Offering, voted as requested at the shareholders' meeting, entered into the Agreements or otherwise act as hereinabove alleged. As a result of Defendants' material misrepresentations, Charney is entitled to general and special damages to be proven at trial.

151. As additional damages Plaintiff hereby alleges that Defendants were and are guilty of malice, fraud and oppression as defined in Civil Code, Section 3294. Charney should recover, in addition to actual damages, damages to make an example of and to punish the Defendants. Defendants conduct as herein alleged was intended to and did cause Charney to lose his position with the Company he

founded; lose his control of its future growth, success and operations; caused the Company to suffer losses without his leadership; allowed the Defendants to seize control of the Company; thereafter rendering Charney unable to exercise his rights to vote his shares guaranteed to him individually as a majority shareholder; prevented him with fraud, deceit and false promises from regaining control of the Company; repeatedly act to defraud him out of his rightful shareholder voting rights; deprived him of his rights to income and a fair valuation of his shareholder ownership rights; prevented him from obtaining financing to recover his rights in the Company; destroyed his personal and professional reputation for their own personal gain and mismanaging the Company for their own purposes against the interests of the Charney, the Company and its shareholders; and interfering with the Company's growth and continued successful business operations; among other things. The current Board members also committed illegal acts, proxy fraud and other misconduct, while so defrauding Charney.

THIRD CAUSE OF ACTION

NEGLIGENT MISREPRESENTATION

(Against All Defendants)

152. Plaintiff re-alleges and incorporates herein by reference, as though set forth in full, each and every allegation contained in paragraphs 1-151, inclusive.

153. As more fully described hereinabove, starting in June 2014 and continuing through the remainder of the year, Defendants made various direct and indirect representations to Charney designed to induce him to compromise his position in the Company. Defendants owed to Charney a duty of good faith, due care and loyalty.

154. The representations described above were false, and Defendants knew that they were false when made and/or made the representations with reckless disregard for their truth.

155. Charney believed that those representations were true when made.

156. Charney justifiably relied on Defendant's misrepresentations in agreeing to the equity offering, electing the Board relying upon the false proxy statement, agreeing to the terms of the Standard General Agreements and taking the actions as hereinabove alleged.

157. As a proximate result of Defendants' misrepresentation, Charney is entitled to general and special damages to be proven at trial.

FOURTH CAUSE OF ACTION

BREACH OF FIDUCIARY DUTY

(Against All Defendants)

158. Plaintiff re-alleges and incorporates herein by reference, as though set forth in full, each and every allegation contained in paragraphs 1-157, inclusive.

159. In making the Loan to Charney and in entering into the Agreements, Standard General greatly exceeded the role of a traditional lender. Indeed, through the terms of the Agreements, Standard General exercised extensive control over Charney and his American Apparel stock. Standard General and Charney further entered into a partnership as a result of the Agreements. Moreover, Charney and representatives of Standard General, including Kim and Glazek, communicated almost daily, including by text message. Standard General made numerous false promises to Charney to induce him to enter into the Agreements and to "lie low," purportedly to permit Standard General to effectuate its promises. Both Standard General's exercise of control over Charney's legal rights and its repeated fraudulent misrepresentations created a special relationship between it and Charney. The purported "investigation" to clear Charney to reinstate him as CEO or permit him to serve as an officer or employee of the Company, was a contractual promise by which Defendants representing Standard General and American Apparel, as alleged hereinabove, assumed unequal bargaining power and created a confidential relationship, by which each owed fiduciary duties to him of good faith and due care. Standard General had an obligation to act in Charney's best interests, not in the best interests of any other party, and a duty to disclose any actual or potential conflicts of interest

160. Due to this special relationship and the contractual relationship, Charney reposed trust and confidence in Standard General and to its officers, agents and representatives, believing himself protected by the written contracts, promises and representations, and had no reason to suspect Defendants purposes were to breach those contracts, fail in those promises and that the representations made were, in fact, false. .

161. In the same way, American Apparel through its Board, as fiduciary to its shareholders of the Company, had a fiduciary duty of due care, good faith and loyalty to Charney individually and as the Company's largest shareholder, to act in the best interests of both the Company and the shareholders,

including Charney

162. But unbeknownst to Charney, Standard General and American Apparel were taking advantage of their respective confidential relationships with Charney to defraud and coerce him into 'giving away the keys to the Company' and making repeated attempts to divest him of his voting rights as a majority shareholder for themselves, to which there were not entitled.

163. By engaging in the conduct described above, Defendants breached the fiduiary duties they owed Charney.

164. Charney did not know, or have reason to know, about Defendants' conflict of interest and he did not waive that conflict of interest or any of the other fiduciary duties Defendants owed him.

165. As a proximate result of these breaches of fiduciary duty, Charney suffered general and special damages in an amount to be proven at trial.

FIFTH CAUSE OF ACTION

FRAUD IN THE INDUCEMENT/RESCISSION

(Against Standard General and American Apparel)

166. Plaintiff re-alleges and incorporates herein by reference, as though set forth in full, each and every allegation contained in paragraphs 1-165, inclusive.

167. On or about June 25, 2014, Charney entered into the Letter Agreement with Standard General. Then, on or about July 9, 2014, Charney entered into the Cooperation Agreement with Standard General. On that same date, Charney and Standard General entered into the Standstill Agreement with American Apparel. The parties memorialized their agreement to execute a Warrant Agreement on or about June 25, 2014.

168. Charney entered into the Agreements in direct reliance upon the representations made to him by Standard General that Standard General would act to reinstate him as the Company's CEO and would cancel the Agreements upon his repayment of the Loan. As described in more detail above, those representations were false. In fact, all along, Standard General and American Apparel were conspiring to assure that Charney believed Standard General's promises, while at the same time acting contrary to the express promises they were making. If Charney had known that Standard General had no intention of keeping its promises, and in fact was conspiring with American Apparel to ensure that Charney would

never regain control, he would not have entered into the Agreements or taken the actions as hereinabove alleged.

169. In making the material misrepresentations described above, Standard General intended that Charney would rely on the misrepresentations and enter into the Agreements based on them. Likewise, in conspiring with Standard General to determine the best way to induce Charney into believing the promises, American Apparel intended that Charney would rely on the misrepresentations and would enter into the Agreements as a result.

170. As a proximate result of Standard General's and American Apparel's conduct, Charney suffered general and special damages in an amount to be proven at trial.

171. As a proximate result of Standard General's and American Apparel's deceit, Charney is entitled to rescind the June 25, 2014 Letter Agreement (**Exhibit "C"**), the Standard General Cooperation Agreement (**Exhibit "D"**); the Standard General Warrant Agreement (**Exhibit "E"**) and the July 9, 2014 Nomination, Standstill and Support Agreement (**Exhibit "F"**), because they were procured by fraud.

SIXTH CAUSE OF ACTION

CONSPIRACY

(Against American Apparel and all other Defendants)

172. Plaintiff re-alleges and incorporates herein by reference, as though set forth in full, each and every allegation contained in paragraphs 1-172, inclusive.

173. From and after in or about June of 2014, Defendants, and each of them, did knowingly and willfully conspire and agree among themselves to oust Charney from his long standing position with the Company; deprive the Company of Charney's leadership, expertise, talents and longtime experience which contributed to the Company's growth, success and operation; to seize control of the Company by wrongful and improper means; prevent Charney from exercising his rights as a majority shareholder to retain said control; repeatedly attempted to divest him of his voting rights as a majority shareholder; to use fraud, deceit, false promises and contracts for which Defendants were in breach to deprive Charney of his rights to regain control over the Company; make false and fraudulent attacks upon Charney's character to interfere with his rights relating to the Company without any good cause; prevent Charney from exercising rights to regain control of the Company; and other conduct intended to oust Charney

and keep control over the Company.

174. In inducing Charney to enter into the Standstill, Standard General committed numerous fraudulent acts as set forth in detail above. American Apparel was aware of Standard General's misrepresentations. In fact, American Apparel was providing substantial behind the scenes assistance to Standard General to effectuate the fraud.

175. Defendants, and each of them, did the acts and things herein alleged pursuant to, and in furtherance of, the conspiracy and above-alleged agreement. Defendants American Apparel by its current Board and Standard General, and the other defendants as hereinabove alleged, furthered the conspiracy by cooperation with each other, provided assistance, ratified and adopted the acts, each of the other, in making the representations, promised and assurances to Charney, inducing him to enter into Agreements, which restricted his rights while acting in breach of those Agreements, effectively preventing him from regaining control over the Company in derogation of his rights.

176. As a proximate result of the wrongful acts herein alleged, Charney has been generally and specially damages in an amount to be proven at trial.

177. Defendants, and each of them, entered into this conspiracy and did the things herein alleged maliciously and to oppress Charney, depriving him by the acts they took in furtherance of the conspiracy of his lawful rights, using improper and/or wrongful means to interfere with his efforts to regain control of the Company and keep control for themselves, as hereinabove alleged. Charney is therefore entitled to an award of exemplary and punitive damages, according to proof.

SEVENTH CAUSE OF ACTION

INTENTIONAL INFLICTION OF EMOTIONAL DISTRESS

(Against All Defendants)

178. Plaintiff re-alleges and incorporates herein by reference, as though set forth in full, each and every allegation contained in paragraphs 1-177, inclusive.

179. Standard General engaged in outrageous conduct as to Charney by repeatedly making promises it had no intention of keeping, including that it would act to reinstate Charney as CEO and that it would relinquish all consideration for the Agreements upon payment of the Loan.

//

180. American Apparel's current Board engaged in outrageous conduct as to Charney by (1) engaging in a campaign to defame and discredit Charney just to oust him from his position with the Company for their own financial gain, to insure their positions and apparently to attempt to sell off the Company; (2) by promising that Charney would be given an earn-out to make up for his share dilution and then firing him; (3) by terrorizing his friends and employees, who were threatened with termination or adverse action if they contacted Charney, to the extent of firing Charney's father, and depriving him of all access to the Company; (4) treating Charney "like a criminal" when he had done nothing to justify his termination or this treatment, excluding him from all access to the Company; (5) by conspiring with Standard General to defraud Charney into compromising his position in the Company so the Company could be positioned for sale; and as otherwise hereinabove alleged; all for their profit without regard for the interests of the Company founded and developed over Charney's lifetime; or the interests of the employees, the shareholders and the customers in its continued successful operation, who Charney holds in the highest esteem, and who have publicly shown their loyalty and support for Charney.

181. Through the above actions, Standard General and American Apparel intended to cause Charney severe emotional distress. Defendants' conduct was intentional and malicious and done for the purpose of causing Charney to suffer humiliation, mental anguish, and emotional and physical distress.

182. As a proximate result of Defendants' conduct, Charney experienced severe emotional distress, including depression, anxiety, sleeplessness, weight loss, humiliation, embarrassment, and anger. Charney is accordingly entitled to compensatory damages in an amount to be proven at trial.

EIGHTH CAUSE OF ACTION

NEGLIGENT INFLICTION OF EMOTIONAL DISTRESS

(Against all Defendants)

183. Plaintiff re-alleges and incorporates herein by reference, as though set forth in full, each and every allegation contained in paragraphs 1-182, inclusive.

184. A confidential and fiduciary relationship existed between Charney, and the respective Defendants as hereinabove alleged, giving rise to Defendants' duty to exercise due care and good faith towards Charney, and also based upon the contractual promises made by Defendants to Charney. Defendants, and each of them, knew or should have known that their failure to exercise due care for

Charney's rights and in the performance of the respective promises made to him by Defendants, that refusing to perform such promises and the damage to his legal rights in the Company would cause Charney severe emotional distress.

185. Defendants, and each of them, breached their respective duties of care and good faith to Charney as alleged hereinabove.

186. As a proximate result of the acts or omissions of Defendants, and each of them, as hereinabove alleged, Charney has been deprived of his lawful and contractual rights relating to the Company that he founded, and now watches deteriorate while in the hands of the Defendants.

187. As a further proximate result of the conduct of Defendants, and each of them, and the consequences proximately caused by it, as alleged hereinabove, Charney has suffered severe emotional distress and mental suffering, all to his damage in an amount according to proof.

188. Charney has suffered special damages, including, but not limited to the loss of his salary and income from the Company, and other special damages in an amount according to proof.

NINTH CAUSE OF ACTION

(Declaratory Relief)

189. Plaintiff re-alleges and incorporates herein by reference, as though set forth in full, each and every allegation contained in paragraphs 1-188, inclusive.

190. An actual controversy has arisen and exists between Charney and the Defendants, concerning their respective rights and duties as follows:

a. There is an actual controversy between Charney and Standard General regarding the Agreements entered into on or about July 9, 2014. Charney contends that Standard General agreed to reinstate him as the Company's CEO, and eventually, cancel the Agreements upon his repayment of the Loan, whereas Standard General disputes these contentions and contends that it has not breached its agreement by its conduct and refuses to perform as agreed.

b. There is an actual controversy between Charney, Standard General and American Apparel as Charney contends that the alleged "investigation" which was done at Company expense and without paying Charney's attorneys' fees as agreed was not fair

and impartial as promised and did not accord him any due process rights and was hence not a legitimate Company expense, and that the withholding from Charney of the records, findings and all information obtained in said "investigation" while claiming to act as a result of it against Charney is a breach of contract and a tortious act against him, the Company and its shareholders; whereas the Board of American Apparel and Standard General disputes these contentions and contends that they were allowed to so act.

c. There is an actual controversy between Charney and the Board of American Apparel as Charney contends that he was promised an earn out agreement by the Board if he agreed to the equity offering and diluted his shareholder interest; whereas the Board of American Apparel disputes this contention and claims they do not have to keep their promises.

d. There is an actual controversy between Charney, Standard General and American Apparel as Charney contends he was promised reinstatement to his former positions with the Company as CEO or to serve as an officer or employee of the Company as there exists absolutely no proof that he ever committed any illegal acts or violated any terms of his employment agreement rising to the level of "good cause" for his termination and subsequent acts preventing his regaining his rights and position with the Company; whereas Standard General and American Apparel contend that they are not required to show "good cause," disclose their findings in the investigation which would certainly vindicate Charney or accord him any due process rights relating to his termination and refusal to reinstate him to the Company.

e. There is an actual controversy between Charney and American Apparel as Charney contends that his termination as CEO was wrongful and that he is entitled to reinstatement; whereas the Board of American Apparel dispute that contention and claims that they may refuse to reinstate Charney to his former position with the Company.

f. There is an actual controversy between Charney, Standard General and American Apparel, as Charney contends that pursuant to the material misrepresentations described above, the Agreements were procured by fraud, and therefore are null and void and of no force or effect; whereas Standard General and American Apparel contend that they may

enforce those fraudulently procured agreements against Charney to limit or deprive him of his legal rights.

PRAYER FOR RELIEF

WHEREFORE, Plaintiff prays for judgment against Defendants as follows:

ON THE FIRST CAUSE OF ACTION (Against Defendants Standard General L.P., Standard General Master Fund, L.P., P Standard General Ltd. and Does 1 to 20, inclusive)

(1) For general and special damages to be proven at trial;

(2) For punitive damages according to proof;

ON THE SECOND, THIRD, FOURTH, SIXTH, SEVENTH AND EIGHTH CAUSES OF ACTION (Against all Defendants)

(3) For general and special damages to be proven at trial;

(4) For punitive damages according to proof;

ON THE FIFTH CAUSE OF ACTION (Against all Defendants)

(5) For a determination by the Court that said Agreements have been rescinded;

(6) For general and special damages according to proof;

ON THE NINTH CAUSE OF ACTION (Against all Defendants)

(7) For a declaration of the following facts:

a. That Standard General agreed to reinstate him as the Company's CEO, and eventually, cancel the Agreements upon his repayment of the Loan and Charney is entitled to said rights;

b. That the alleged "investigation" which was done at Company expense and without paying Charney's attorneys' fees as agreed was not fair and impartial as promised and did not accord him any due process rights and was hence not a legitimate Company expense, and that the withholding from Charney of the records, findings and all information obtained in said "investigation" while claiming to act as a result of it against Charney is a breach of contract and/or a tortious act against him, the Company and its shareholders; and Charney is entitled to those rights;

c. That Charney is promised an earn out agreement by the Board; and is entitled to that right;

d. That Charney was promised reinstatement to his former positions with the Company as CEO or to serve as an officer or employee of the Company as there exists absolutely no proof that he ever committed any illegal acts or violated any terms of his employment agreement rising to the level of "good cause" for his termination and subsequent acts preventing his regaining his rights and position with the Company; and is entitled to those rights;

e. That Charney's termination as CEO was wrongful and that he is eligible for reinstatement;

f. That the Agreements with American Apparel and Standard General which limit Charney's rights relating to the Company were procured by fraud, and therefore are null and void and of no force or effect;

ON ALL CAUSES OF ACTION

(8) For pre-judgment interest according to proof at trial;

(9) For costs of suit incurred herein;

(10) For attorneys' fees according to proof; and

(11) For such other and further relief that the Court deems proper.

Dated: June 23, 2015

FINK & STEINBERG

By: _____
Keith A. Fink
S. Keven Steinberg
Attorneys for Plaintiff
DOV CHARNEY

Exhibit A

Glaser Weil Fink Jacobs
Howard Avchen & Shapiro LLP

10250 Constellation Blvd.
19th Floor
Los Angeles, CA 90067
310.553.3000 TEL
310.556.2920 FAX

Patricia L. Glaser

Direct Dial
310.282.6217
Direct Fax
310.785.3517
Email
pglaser@glaserweil.com

June 19, 2014

VIA E-MAIL AND FIRST CLASS MAIL

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

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

Dear Mr. Mordock,

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

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

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

Exhibit B

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

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

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

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

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

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

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

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

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

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

Very truly yours,

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

Begin forwarded message:

From: Robert Lavan <RLavan@standgen.com>
Subject: Re: FT and my phone
Date: June 22, 2014 at 6:35:51 PM PDT
To: Dov Charney <dovcharneypersonal@gmail.com>

If I could do this, we can definitely take back APP

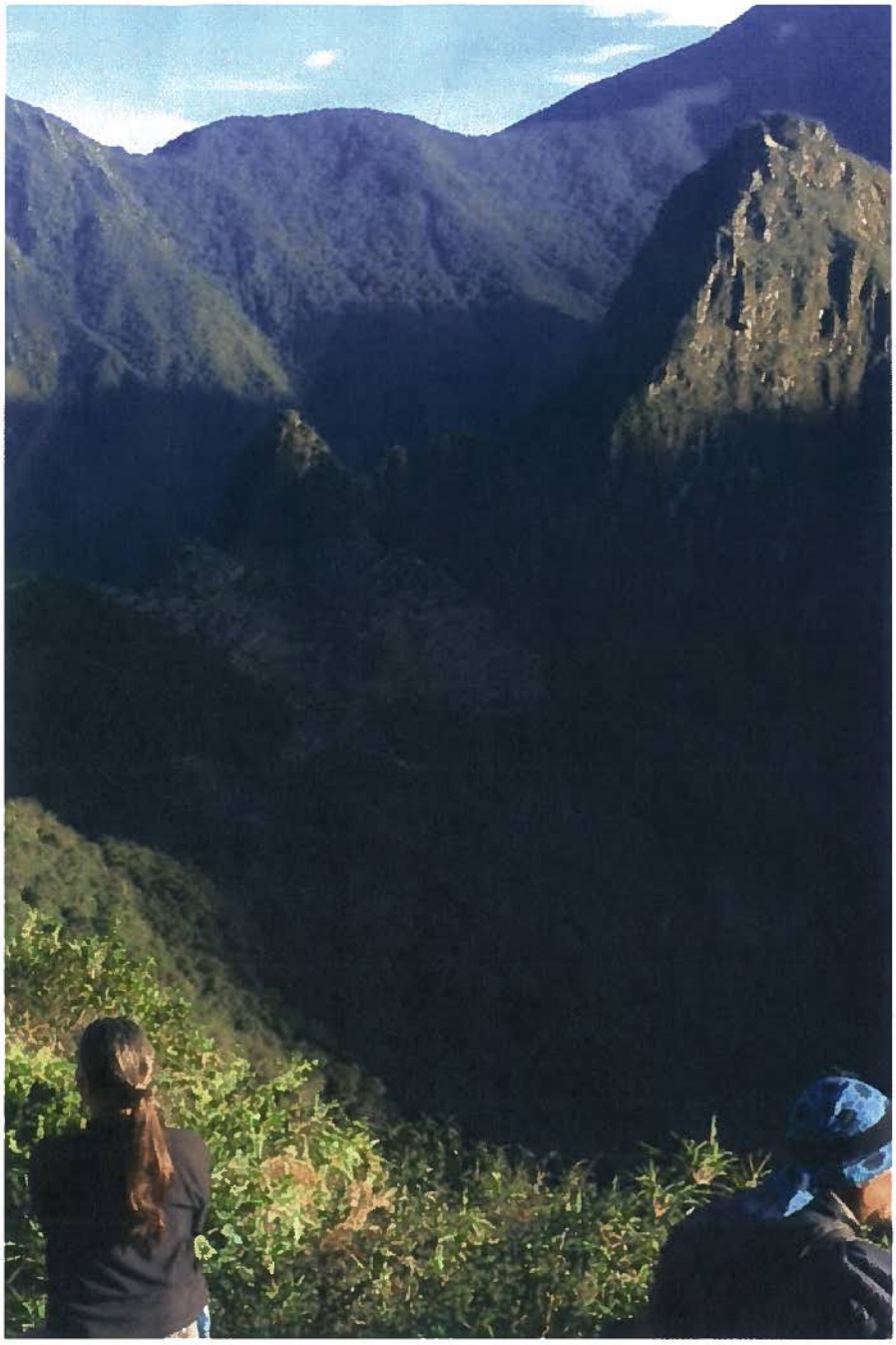

Exhibit C

Exhibit A

June 25, 2014

Dov Charney
1809 Apex Avenue
Los Angeles, CA 90026

Gentlemen:

This confirms the agreement and understanding between Dov Charney ("Charney"), on the one hand, and Standard General L.P., on behalf of one or more of its funds ("SG"), on the other, as follows:

1. SG presently intends to purchase shares of American Apparel, Inc. ("APP"). If, in its sole discretion, SG is able to purchase at least 10% of the outstanding shares of APP (the "Condition Precedent"), SG, as lender, and Charney as borrower, hereby agree that SG will lend to Charney and Charney will borrow from SG an amount equal to the SG Price (as defined below) times the number of shares purchased pursuant to the first sentence of this paragraph (the "SG Loan"). The number of shares and the SG Price shall be determined upon completion of SG's purchases, and SG shall notify Charney upon completion of the purchases. In connection with the SG Loan, Charney agrees to enter into loan and security agreements with SG, as lender, to evidence the SG Loan in customary form reasonably satisfactory to SG (such loan and security agreements being hereinafter referred to as the "SG Loan Documents"). The SG Loan Documents shall provide for (a) a maturity date for the SG Loan of July 15, 2019, pre-payable without penalty, (b) that the SG Loan shall be used solely to purchase the common stock of APP purchased by SG (the "Additional Shares") at the lowest price paid by SG for such common stock after the first purchase (the "SG Price"), (c) interest on the principal balance payable at 10% per annum, payable in kind and (d) 47,209,406 shares of common stock of APP owned by Charney (the "Original Shares") and the Additional Shares shall serve as collateral for the SG Loan. Until such time as the SG Loan Documents are executed and delivered by Charney and SG and are in full force and effect, this letter agreement shall serve as written evidence of the loan being made hereunder. In the event Charney fails to enter into to the SG Loan Documents by a date determined by SG in its sole discretion, which shall be the date such shares are transferred to Charney, it shall constitute an immediate default hereunder and all obligations owing from Charney to SG shall, at the option of SG, become immediately become due and payable and SG shall have all of the rights and remedies of a secured creditor. In addition, Charney hereby grants to SG, to secure his obligations for the extension of credit which may be made hereunder, a first priority security interest in the Original Shares and the Additional Shares. Charney agrees to promptly deliver the Original Shares and the Additional Shares to SG as collateral for the SG Loan, free and clear of all liens, security interests and encumbrances. It will be an event of default under the loan made by SG if any of such shares are not so delivered or if any of such shares are subject to any liens or encumbrances. SG acknowledges that its ability to dispose of the collateral upon a default under the Loan Documents may be limited.

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2. If the Condition Precedent is met, Charney shall enter into the following warrant agreements (the "Warrant Agreements") in form and substance satisfactory to SG: (a) a warrant (the "Additional Shares Warrant") giving SG the right to purchase the Additional Shares at an exercise price equal to the SG Price divided by the number of Additional Shares (the "Exercise Price"), and (b) a warrant (the "Original Shares Warrant", and, together with the Additional Shares Warrant, the "Warrants") giving SG the right to purchase 10% of the Original Shares at the Exercise Price (the "Original Shares Warrant"), provided that any interest on the SG Loan in excess of $1,000,000 shall be reduced by the in-the-money value of the Original Shares Warrant upon exercise. The Warrants shall expire July 15, 2017 and may be cash settled. A failure by Charney to enter into the Warrant Agreements will constitute a default hereunder and under the SG Loan Documents, and all obligations owing from Charney to SG shall, at the option of SG, become due and payable. The parties acknowledge that shares of APP purchased upon exercise of the Warrants may not be freely transferrable.

3. If the Condition Precedent is met, SG and Charney shall enter into a cooperation agreement with respect to the Additional Shares and the Original Shares in form and substance reasonably satisfactory to SG providing that the Additional Shares and the Original Shares shall be voted only as agreed among SG and Charney (the "Cooperation Agreement"). The

Cooperation Agreement shall last for as long as SG holds either the Warrants or any shares of APP acquired from Charney. A failure by Charney to enter into the Cooperation Agreement will constitute a default hereunder and under the SG Loan Documents, and all obligations owing from Charney to SG shall, at the option of SG, become due and payable. SG and Charney shall take such action, consistent with their fiduciary duties, applicable law and securities exchange requirements as shall be necessary or appropriate to cause the board to consist of directors nominated by SG and Charney. The Cooperation Agreement shall provide that, notwithstanding the Cooperation Agreement, Charney shall be entitled to vote the Original Shares (i) in favor of his election as a director and (ii) pursuant to the Investment Voting Agreement, dated March 13, 2009, between Charney and Lion Capital (Guernsey) II Limited (the "Investment Voting Agreement").

4. In order to induce SG to enter into this Agreement and perform its obligations hereunder, Charney represents and warrants to SG as follows:

(a) As of the date hereof, Charney owns beneficially and of record 47,209,406 shares of common stock of APP in his own name, free and clear of any lien or encumbrance other than the Investment Voting Agreement.

(b) Charney has the capacity to execute this Agreement and to consummate the transactions contemplated hereby. The execution, delivery and performance by Charney of this Agreement, the SG Loan Document, the Warrant Agreement and the Cooperation Agreement (the "Documents") are within the power of Charney, and will not violate any applicable law. The execution, delivery and performance by Charney of this Agreement and the Documents do not violate the terms of any agreement or undertaking to which Charney is a party or by which Charney is bound or to which the Original Shares are or the Additional Shares will be subject, and do not contravene the provisions of, or constitute a default under, or result in the creation of any lien (except as expressly contemplated herein) upon the property of Charney under any agreement to which Charney is a party. Charney has duly executed and delivered this Agreement, and this Agreement constitutes a legal, valid and binding obligation of Charney, enforceable against him in accordance with its terms.

(c) No possible default or event of default exists under this Agreement, nor will any such default begin to exist immediately after the execution and delivery hereof.

(d) Charney is not insolvent and is reasonably expected to pay his debts as they become due, both prior to, and immediately after, giving effect to the transactions contemplated hereunder (including funding of the SG Loan) contemplated herein.

(d) No notice to or consent of any third party is required under any agreement or instrument in order to permit Charney to perform his obligations hereunder.

5. In addition to the foregoing, each party represents and warrants that it has all requisite power and authority to enter into this Agreement and to perform its obligations hereunder. Each party further represents and warrants that this Agreement has been duly and validly authorized by all necessary action on its part and has been duly executed and delivered by each party and constitutes a legal, valid and binding agreement of such party, enforceable in accordance with its terms. This Agreement may be executed in any number of counterparts, each of which will be deemed an original and all of which will constitute one and the same instrument. Such counterparts may be delivered by one party to the other by facsimile or other electronic transmission, and such counterparts shall be valid for all purposes.

6. This letter agreement sets forth the entire agreement among the parties with regard to the subject matter hereof and supersedes any prior oral or written agreements or understandings among the parties.

ALL DISPUTES ARISING OUT OF OR RELATING TO THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO CONFLICTS OF LAWS PRINCIPLES. EACH PARTY IRREVOCABLY WAIVES ANY RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM (WHETHER BASED UPON CONTRACT, TORT OR OTHERWISE) RELATED TO OR ARISING OUT OF THIS AGREEMENT.

[Signature page to follow]

Please confirm that the foregoing terms are in accordance with your understanding by signing and returning the enclosed copy of this Agreement.

Sincerely,

STANDARD GENERAL L.P.

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

Accepted and agreed to as of the date
first written above:

/s/ Dov Charney
Dov Charney

Exhibit D

EX-99.A 2 a14-16922_1ex99da.htm EX-99.A

Exhibit A

EXECUTION COPY

COOPERATION AGREEMENT

This COOPERATION AGREEMENT (the "Agreement"), dated as of July 9, 2014, is made by and between Dov Charney ("Charney"), on the one hand, and Standard General L.P. on behalf of one or more of its controlled funds (collectively, "SG", and, together with Charney, the "Parties"), on the other.

WHEREAS, on June 25, 2014, the Parties entered into a letter agreement (the "Letter Agreement") providing for certain arrangements with respect to shares of common stock, par value $0.0001 per share ("Shares"), of American Apparel Inc., a Delaware corporation (the "Company"), beneficially owned or to be purchased by the Parties;

WHEREAS, on June 27, 2014, certain SG funds sold to Charney, and Charney purchased from such SG funds, 27,351,407 Shares (the "Additional Shares"), the purchase price for which Charney borrowed funds from such SG funds (the "SG Loan");

WHEREAS, Charney has pledged 47,209,407 Shares previously owned by Charney (the "Original Shares") and the Additional Shares to the applicable SG funds as security for the repayment of the SG Loan (the "Pledge"); and

WHEREAS, pursuant to the Letter Agreement, the Parties agreed to enter into a cooperation agreement with respect to the Original Shares and the Additional Shares (together with any securities issued or exchanged with respect to such Original Shares or Additional Shares upon any recapitalization, reclassification, merger, consolidation, spin-off, partial or complete liquidation, stock dividend, split-up or combination of the securities of the Company or any other change in the Company's capital structure, the "Covered Shares");

NOW, THEREFORE, the Parties hereto agree as follows:

ARTICLE I

Voting Agreement

Section 1.1 Agreement to Vote.

(a) The Parties hereby unconditionally and irrevocably agree that, from and after the date hereof and until the date on which this Agreement is terminated pursuant to Section 3.1 (the "Voting Period"), at any meeting of the stockholders of the Company, however called, or at any adjournment or postponement thereof or in any other circumstances upon which a vote or other approval is sought, the Parties shall vote (or cause to be voted) in person or by proxy the Covered Shares only in such manner as has

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been agreed in writing by the Parties. The Parties further agree that, during the Voting Period, they will not, in their capacity as stockholders of the Company, act by written consent on any matter with respect to the Covered Shares, except in such manner as has been agreed in writing by the Parties. Notwithstanding the foregoing, the Parties shall take all actions necessary to comply with their covenants under Section 4 of the Nomination, Standstill and Support Agreement, dated as of the date hereof, by and among the Parties, certain investment funds managed by SG and the Company (the "Nomination, Standstill and Support Agreement").

(b) Notwithstanding the foregoing, Charney shall at all times be permitted to (i) vote the Original Shares in favor of his election to the Board of Directors of the Company and (ii) vote the Covered Shares pursuant to the Investment Voting Agreement, dated March 13, 2009, between Charney and Lion Capital (Guernsey) II Limited (the "Investment Voting Agreement").

(c) As of the date hereof, the Parties have not entered into any agreement or arrangement relating to the voting of the Covered Shares with respect to any particular matters or items of business except as set forth in (i) the Letter Agreement, (ii) the Nomination, Standstill and Support Agreement and (iii) this Section 1.1.

Section 1.2 No Transfer. Other than pursuant to the terms of this Agreement, the Letter Agreement or the transactions contemplated hereby or thereby, until the later of (a) payment of all amounts due in respect of the SG Loan (including any definitive documents entered into in connection therewith pursuant to the Letter Agreement) and (b) the expiration or exercise of the Warrants expiring July 15, 2017 to be issued to SG pursuant to Section 2 of the Letter Agreement (the "Warrants"), without the prior written consent of SG, Charney shall not (i) directly or indirectly Transfer or offer to Transfer any Covered Shares (other than to SG funds in respect of the exercise of the Warrants or in connection with the Pledge) or (ii) tender any Covered Shares into any tender or exchange offer or otherwise. Any action attempted to be taken in violation of the preceding sentence shall be null and void. "Transfer," as used herein, shall mean, with respect to a security, the sale, grant, assignment, transfer, pledge, encumbrance, hypothecation or other disposition of such security or the beneficial ownership thereof (including by operation of law), or the entry into any agreement or arrangement to effect any of the foregoing, including, for purposes of this Agreement, the transfer or sharing of any voting power of such security or other rights in or of such security, the granting of any proxy with respect to such security, depositing such security into a voting trust or entering into a voting agreement with respect to such security. Promptly following the date hereof, the Parties shall deliver joint written instructions to the Company and to the Company's transfer agent stating that none of the Covered Shares shall be Transferred by Charney in any manner (i.e., a stop transfer order) without the prior written consent of SG in accordance with the terms and conditions of this Agreement. "Beneficial ownership" as used in this Agreement means having "beneficial ownership" as determined pursuant to Rule 13d-3 under the Securities Exchange Act of 1934, as amended.

Section 1.3 Proxies. Each Party hereby revokes any and all previous proxies granted with respect to its Covered Shares.

ARTICLE II

Representations and Warranties of the Parties

Each Party hereby represents and warrants to the other, as of the date hereof and at all times during the term of this Agreement, as follows:

Section 2.1 Authority Relative to this Agreement. Such Party has all requisite power and authority to enter into this Agreement and to perform its obligations hereunder. This Agreement has been duly and validly authorized by all necessary action on the part of such Party and has been duly executed and delivered by such Party and constitutes a legal, valid and binding agreement of such Party, enforceable against such Party in accordance with its terms.

Section 2.2 No Conflict.

(a) The execution, delivery and performance by such Party of this Agreement are within the power of such Party, and will not violate any applicable law. The execution, delivery and performance by such Party of this Agreement do not violate the terms of any agreement or undertaking to which such Party is a party or by which such Party is bound or to which the Covered Shares will be subject, and do not contravene the provisions of, or constitute a default under, or result in the creation of any lien (except as contemplated herein or under the Letter Agreement) upon the property of such Party under any agreement to which such Party is a party.

(b) No possible default or event of default exists under this Agreement, nor will any such default begin to exist immediately after the execution and delivery hereof.

(c) No notice to or consent of any third party is required under any agreement or instrument in order to permit such Party to perform its obligations hereunder.

Section 2.3 Ownership of Shares. As of the date hereof, except as set forth in Schedule A hereto, such Party has good and marketable title to and is the record or beneficial owner of the Covered Shares set forth opposite such Party's name on Schedule A hereto free and clear of all pledges, liens, proxies, claims, charges, security interests, preemptive rights, voting trusts, voting agreements, options, rights of first offer or refusal and any other encumbrances or arrangements whatsoever with respect to the ownership, transfer or other voting of the Covered Shares other than as set forth in the Investment Voting Agreement. As of the date hereof, no proceedings are pending which, if adversely determined, will have a material adverse effect on any ability to vote or dispose of any of the Covered Shares.

Section 2.4 Party Has Adequate Information. Such Party is a sophisticated investor with respect to the Covered Shares and has independently and without reliance upon the other Party and based on such information as such Party has deemed appropriate, made its own analysis and decision to enter into this Agreement.

Section 2.5 No Setoff. To the knowledge of such Party, there are no legal or equitable defenses or counterclaims that have been or may be asserted by or on behalf of such Party to reduce the amount of the Covered Shares or affect the validity or enforceability of such Party's beneficial ownership of any of its Covered Shares.

ARTICLE III

Miscellaneous

Section 3.1 Termination. This Agreement shall terminate on the date when SG no longer holds any Warrants or any Shares acquired from Charney pursuant to the Warrants, unless terminated earlier by mutual written agreement of the Parties. Upon such termination, no Party shall have any further obligations or liabilities hereunder; except that the provisions of this Article III shall survive any such termination. No such termination shall relieve the Parties of any liability for any breach of this Agreement occurring prior to the time of termination.

Section 3.2 Survival of Representations and Warranties. The representations and warranties contained herein shall expire with, and be terminated and extinguished upon, termination of this Agreement pursuant to Section 3.1, and thereafter no Party shall be under any liability whatsoever with respect to any such representation or warranty.

Section 3.3 Fees and Expenses. Except as otherwise provided herein or as set forth in the Letter Agreement, all costs and expenses incurred in connection with the transactions contemplated by this Agreement shall be paid by the Party incurring such costs and expenses.

Section 3.4 Notices. All notices, consents, requests, instructions, approvals and other communications provided for herein and all legal process in regard hereto 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 SG:

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

With a copy 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

If to Charney:

Dov Charney
1809 Apex Avenue
Los Angeles, CA 90026

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

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

Section 3.5 Severability. If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced by any rule of law, or public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to either Party. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the Parties as closely as possible in a mutually acceptable manner in order that the transactions contemplated hereby be consummated as originally contemplated to the fullest extent possible.

Section 3.6 Agreement Made Only in Capacity as Stockholder. The Parties acknowledge that this Agreement is entered into by each Party solely in such Party's capacity as the beneficial owner of such Party's Covered Shares and nothing in this Agreement restricts or limits any action taken by such Party in its capacity as a director or officer of the Company or any of its controlled affiliates.

Section 3.7 Entire Agreement. This Agreement, together with the Letter Agreement and the Nomination, Standstill and Support Agreement, constitutes the entire agreement among the Parties with regard to the subject matter hereof and supersedes any prior oral or written agreements or understandings among the Parties.

Section 3.8 Remedies Cumulative. Except as otherwise provided in this Agreement, any and all remedies expressly conferred upon the Parties shall be cumulative with, and not exclusive of, any other remedy contained in this Agreement, at law or in equity. The exercise by a Party of any one remedy shall not preclude the exercise by it of any other remedy.

Section 3.9 Amendment. This Agreement may not be amended except by written agreement signed by the Parties.

Section 3.10 Extension; Waiver. Either Party may (a) extend the time for the performance of any obligation or other act of the other Party, (b) waive any inaccuracy in the representations and warranties of the other Party contained herein or in any document delivered pursuant hereto and (c) waive compliance with any agreement of the other Party or any condition to its own obligations contained herein. Any such extension or waiver shall be valid if set forth in an instrument in writing signed by the Party to be bound thereby. The failure of any Party to assert any of its rights under this Agreement or

otherwise shall not constitute a waiver of those rights.

Section 3.11 Successors and Assigns. This Agreement shall be binding upon and shall inure to the benefit of and be enforceable by the Parties and their respective successors and assigns, including without limitation, in the case of each Party, any trustee, executor, heir, legatee or personal representative succeeding to the beneficial ownership of such Party's Covered Shares or other securities subject to this Agreement (including as a result of death, disability or incapacity of such Party).

Section 3.12 Parties in Interest. Nothing in this Agreement, express or implied, is intended to or shall confer upon any person other than the Parties any right, benefit or remedy of any nature whatsoever under or by reason of this Agreement.

Section 3.13 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 Party 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, and (d) irrevocably consents to service of process by a reputable overnight mail delivery service, signature requested, to the address set forth in Section 3.4. **ALL DISPUTES ARISING OUT OF OR RELATING TO THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF DELAWARE, WITHOUT REGARD TO CONFLICTS OF LAWS PRINCIPLES. EACH PARTY IRREVOCABLY WAIVES ANY RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM (WHETHER BASED UPON CONTRACT, TORT OR OTHERWISE) RELATED TO OR ARISING OUT OF THIS AGREEMENT.**

Section 3.14 Headings. The descriptive headings contained in this Agreement are included for convenience of reference only and shall not affect in any way the meaning or interpretation of this Agreement.

Section 3.15 Counterparts. This Agreement may be executed in any number of counterparts, each of which will be deemed an original and all of which will constitute one and the same instrument. Such counterparts may be delivered by one Party to the other by facsimile or other electronic transmission, and such counterparts shall be valid for all purposes.

Section 3.16 Further Assurances. From time to time, at the request of either Party and without further consideration, the other Party shall take such reasonable further action as may reasonably be necessary or desirable to consummate and make effective the transactions contemplated by this Agreement.

[Signature Page Follows]

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed as of the date first written above.

STANDARD GENERAL L.P.

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

DOV CHARNEY

/s/ Dov Charney

Schedule A

Party	Covered Shares(1)
Charney	47,209,406
SG	
Standard General Master Fund, L.P.	20,924,003
P STANDARD GENERAL LTD.	6,427,404

(1) Note: This table sets forth the record ownership of the Covered Shares as of the date hereof. Each Party may be deemed to beneficially own the Shares held by the other Party as a result of this Agreement and the Letter Agreement. Charney became a beneficial owner of the Additional Shares on June 27, 2014 pursuant to the Letter Agreement as a result of the sale of such Shares to Charney and the SG Loan on that date.

Exhibit E

WARRANT AGREEMENT

This WARRANT AGREEMENT (this "Agreement" or the "Warrant Agreement"), dated as of July [•], 2014, is made by and between Dov Charney ("Charney"), on the one hand, and Standard General Master Fund L.P. (the "SG Master Fund") and P Standard General Ltd. ("PSG" and, together with the SG Master Fund, "Standard General"), as the initial holders of the Warrants referred to herein (collectively with any other holders from time to time of the Warrants, the "Holders"), on the other. For purposes of this Agreement, references to "Standard General" shall mean the SG Master Fund and PSG, acting together.

WHEREAS, pursuant to the Letter Agreement, dated as of July 25, 2014 (the "Letter Agreement"), by and among Charney and Standard General L.P., on behalf of one or more of its funds, Charney agreed, among other things, to issue certain warrants to purchase shares of Common Stock ("Common Shares") of American Apparel, Inc. (the "Company") held by Charney (collectively, the "Warrants,"); and

WHEREAS, pursuant hereto, on the date hereof, Charney shall issue and deliver (i) to the SG Master Fund, a Warrant Certificate (as defined herein) evidencing 20,924,003 Warrants, and to PSG, a Warrant Certificate evidencing 6,427,404 Warrants, and (ii) to the SG Master Fund, a Warrant Certificate evidencing 3,611,550 Warrants, and to PSG, a Warrant Certificate evidencing 1,109,391 Warrants; and

WHEREAS, Charney has agreed to issue the Warrants on the terms and conditions set forth in this Agreement.

NOW, THEREFORE, in consideration of the foregoing and the mutual agreements contained in the Letter Agreement the parties hereto hereby agree as follows:

Article I
Issuance

Section 1.1 Issuance of Warrants. Charney shall issue and deliver a certificate or certificates evidencing the Warrants (the "Warrant Certificates") pursuant to the terms hereof. Each Warrant Certificate shall be substantially in the form of Exhibit A hereto. Each Warrant Certificate shall be dated the date of issuance. Charney shall sign each Warrant Certificate by manual or facsimile signature.

Article II
Exercise

Section 2.1 Exercise. Each Warrant shall initially entitle the Holder thereof to purchase one Common Share (as adjusted, the "Number of Shares Per Warrant") for a per

share exercise price of $0.715 (as adjusted, the "Exercise Price"), in each case subject to adjustment pursuant hereto. Subject to Sections 2.2 and Section 2.3, the Warrants shall be exercisable at the election of the Holders thereof either in full at any time or in part from time to time.

Section 2.2 Cash Exercise of Warrants. Each Warrant may be exercised on any Business Day on or prior to 5:00 P.M. New York time on the Expiration Date, by (i) surrender of a Warrant Certificate to Charney, at his Principal Place of Business, together with the Form of Election in the form of Exhibit 1 to the Warrant Certificate duly filled in and signed by the Holder thereof, and (ii) payment to Charney of an amount equal to the number of Warrants so exercised multiplied by the Exercise Price (the "Payment Amount") in cash, by certified or official bank check payable to the order of Charney or by wire transfer of funds to an account designated by Charney for such purpose (a "Cash Exercise Payment"), provided that if any Holder so elects, it may offset all or any portion of any Payment Amount payable by it against the Obligations (as defined in the Notes) in accordance with Section 6 of any Note held by such Holder, in lieu of a Cash Exercise Payment being required with respect to such Payment Amount or portion thereof. Upon exercise pursuant to this Section 2.2, the exercising Holder shall be entitled to receive the number of duly authorized, validly issued, fully paid and nonassessable Common Shares equal to the number of Warrants exercised multiplied by the Number of Shares Per Warrant.

Section 2.3 Exchange of Warrants. Each Warrant may be exchanged on any Business Day on or prior to 5:00 P.M. New York time on the Expiration Date, by surrender of a Warrant Certificate to Charney, at his Principal Place of Business, together with the Form of Election in the form of Exhibit 1 to the Warrant Certificate duly filled in and signed by the Holder thereof. Upon exchange pursuant to this Section 2.3, the exchanging Holder shall be entitled to elect to either (i) receive the number of duly authorized, validly issued, fully paid and nonassessable Common Shares equal to the excess, if any, of (a) the Exchange Shares, over (b) (1) the Exchange Shares multiplied by the Exercise Price, divided by (2) the Exercise FMV (a "Share Exchange"), or (ii) receive an amount of cash equal to the excess, if any, of (x) the Exchange Shares multiplied by the Exercise FMV, over (y) the Exchange Shares multiplied by the Exercise Price (a "Cash Exchange"). For all purposes of this Agreement other than Sections 2.2 and 2.3, unless otherwise specified, any reference to the exercise of any Warrant shall be deemed to include a reference to the exchange of such Warrant into Common Shares in accordance with the terms of this Section 2.3.

Section 2.4 Delivery of Stock Certificates, etc. Within 5 Business Days after each exercise of any Warrant, Charney, at his sole expense (including, without limitation, the payment of any applicable transfer taxes), shall transfer or cause to be transfer in the name of and delivered to the Holder of such Warrant or as such Holder may direct:

(a) (i) in case of an exercise of any Warrant pursuant to Section 2.2 or a Share Exchange, a certificate or certificates for the number of Common Shares to which such Holder shall be entitled upon such exercise plus, in lieu of any fractional share to which such Holder would otherwise be entitled, cash in an amount equal to the same fraction multiplied by the Fair Market Value per such Common Share, on the Business Day immediately preceding the date of such exercise, and (ii) in the case of a Cash Exchange, the amount to which such Holder is entitled pursuant to such Cash Exchange, as the case may be, in cash, by certified or official bank check payable to the order of such Holder or by wire transfer of funds to an account designated by such Holder for such purpose, on the Business Day immediately preceding the date of such exercise; and

(b) in the event that Warrant Certificates are surrendered for exercise in respect of less than all the Warrants represented thereby, new Warrant Certificates, as directed by the Holders thereof, of like tenor, dated the date hereof, for the remaining Warrants not so exercised.

Section 2.5 When Exercise Effective. Each exercise of any Warrant shall be deemed effective immediately prior to the close of business on the Business Day on which such Warrant shall be surrendered to Charney and, in the case of any exercise pursuant to Section 2.2, any Cash Exercise Payment shall be paid with respect to such Warrant, or if such day is not a Business Day, the next earlier Business Day. At such time, the Persons in whose names any Common Shares shall be transferable shall be deemed to have become the holders of record thereof.

Section 2.6 No Rights as a Stockholder. Neither this Agreement nor the Warrant Certificates shall entitle a Holder to any voting rights or other rights as a holder of Common Shares prior to the exercise by such Holder of any Warrant pursuant to Section 2.2 or Section 2.3. This agreement shall not in any manner supersede the Cooperation Agreement, dated as of July 9, 2014, by and between Charney and Standard General L.P., on behalf of one or more of its controlled funds, which shall remain in full force and effect in accordance with its terms.

Article III
Adjustments

Section 3.1 Changes in Common Stock. In the event that at any time or from time to time after the date hereof the Company shall (i) pay a dividend or make a distribution on its Common Shares in Common Shares or other shares of capital stock, (ii) subdivide its outstanding Common Shares into a larger number of Common Shares, (iii) combine its outstanding Common Shares into a smaller number of Common Shares, or (iv) increase or decrease the number of Common Shares outstanding by reclassification of its Common Shares, then the Number of Shares Per Warrant immediately after the occurrence of such event shall be adjusted so that, after giving

effect to such adjustment, each Holder shall be entitled to receive the number of Common Shares upon exercise that such Holder would have owned or have been entitled to receive had each Warrant been exercised pursuant to Section 2.2 immediately prior to the occurrence of the events described above (or, in the case of a dividend or distribution of Common Shares, immediately prior to the record date therefor), and the Exercise Price shall be adjusted in inverse proportion. An adjustment made pursuant to this Section 3.1 shall become effective immediately after the effective date, retroactive to the record date therefor, in the case of a dividend or distribution in Common Shares, and shall become effective immediately after the effective date in the case of a subdivision, combination or reclassification.

Section 3.2 Consolidation, Merger, Sale of Assets, Reorganization, Liquidation.

(a) In the event the Company consolidates or merges with or into any Person, transfers all or a substantial portion of the Company's properties or assets to any other Person, effects a reorganization or reclassification of its capital stock, or any dissolution, liquidation, winding-up or any other similar transaction (each, a "Corporate Transaction"), each Holder shall have the right to receive upon exercise of the Warrants to the maximum number of Common Shares and the maximum amount of cash and other property as a holder of the number and amount of Common Shares issuable upon exercise of the Warrants held by such Holder was entitled to receive upon or as a result of such Corporate Transaction. Unless Section 3.2(b) shall apply, after the date of such Corporate Transaction, this Agreement shall be deemed modified to provide for adjustments as nearly equivalent as possible to the adjustments provided for in this Article III. The provisions of this Section 3.2 shall apply similarly to successive Corporate Transactions involving any surviving or acquiring Person in such a Corporate Transaction.

(b) In the event of a Corporate Transaction in which consideration payable to holders of Common Stock is payable solely in cash, then the Holders shall be entitled to receive distributions on an equal basis with any holders of Common Shares to which the Warrants are exercisable at such time as if the Warrants had been exercised immediately prior to such Corporate Transaction pursuant to Section 2.2, less the Exercise Price then in effect. In case of any such Corporate Transaction, Charney shall, at such time as any Warrant Certificate is surrendered to Charney, make payment to the Holder or to such Person or Persons as the Holder of such Warrant Certificate may direct in writing by wire transfer of such amounts in immediately available funds.

Section 3.3 Dividends and Distributions. In the event that the Company at any time or from time to time declares, orders, pays or makes any dividend or other distribution on the Common Shares, including, without limitation, distributions of cash, evidence of its indebtedness, Options, Convertible Securities, other securities or property or rights to subscribe for or purchase any of the forgoing, and whether by way of

dividend, spin-off, reclassification, recapitalization, similar corporate reorganization or otherwise, other than a dividend that gives rise to an adjustment pursuant to Section 3.1 hereof, then, and in each such case, the Number of Shares Per Warrant shall be increased to a number determined by multiplying the previously applicable Number of Shares Per Warrant by a fraction, (A) the numerator of which shall be the Distribution FMV, and (B) the denominator of which shall be the excess, if any, of (x) the Distribution FMV, over (y) the sum of the amount of any cash distributed per Common Share plus the positive fair market value (as reasonably determined by Charney and Standard General, in good faith), if any, per Common Share of any such evidences of indebtedness, Options, Convertible Securities, other securities or property or rights to be so distributed; and the Exercise Price shall be reduced to a number determined by dividing the previously applicable Exercise Price by the fraction described immediately above in this sentence. Such adjustments shall be made whenever any such dividend or other distribution is made and shall become effective as of the date of such distribution, retroactive to the record date therefor.

Section 3.4 Report as to Adjustments. In each case of any adjustment in the Number of Shares per Warrant or the Exercise Price, Standard General, at its sole expense, shall promptly (and in any event within 60 days) (i) compute such adjustment in accordance with the terms of this Agreement; (ii) prepare a report setting forth such adjustment and showing in reasonable detail the method of calculation thereof and the facts upon which such adjustment is based (including, without limitation, (a) the event or events giving rise to such adjustment; (b) the number of Common Shares outstanding or deemed to be outstanding prior and subsequent to any such transaction; (c) the method by which any such adjustment was calculated (including a description of the basis on which Standard General made any determination of Fair Market Value or fair market value required thereby and copies of the underlying documents supporting such determination); and (d) the Number of Shares Per Warrant and the Exercise Price in effect immediately prior to such event or events and as adjusted; (iii) mail a copy of each such report to each Holder and Charney and, upon the request at any time (but in any event not more than once per calendar year) of any Holder, furnish to such Holder a like report setting forth the Number of Shares Per Warrant and the Exercise Price at the time in effect and showing in reasonable detail how they were calculated; and (iv) keep copies of all such reports available for inspection during normal business hours by any Holder or any prospective purchaser of any Warrant designated by the Holder thereof. The responsibilities of Standard General hereunder may be assumed, with Standard General's consent, by any Holder or Holders of the Required Interest.

Section 3.5 Adjustment to Warrant Certificate. The form of Warrant Certificate need not be changed as a result of any adjustment made pursuant to this Article III, and Warrant Certificates issued after such adjustment may state the same Number of Shares Per Warrant and the same Exercise Price as are stated in any Warrant Certificates issued prior to such adjustment. The parties hereto, however, may at any

time make any change in the form of Warrant Certificate that they may deem appropriate (each of them acting reasonably) to give effect to any such adjustment and that does not affect the substance of the Warrant Certificate or the rights represented thereby, and any Warrant Certificate thereafter issued, whether in exchange or substitution for an outstanding Warrant Certificate or otherwise, may be in the form as so changed.

Article IV
Registration and Transfer

Section 4.1 Warrant Register; Transfer and Exchange of Warrants.

(a) Charney shall maintain his principal place of business at 1809 Apex Avenue, Los Angeles, CA 90026, or such other address of which Charney shall reasonably notify the Holders (the "Principal Place of Business"), where notices, presentations and demands in respect of the Warrants may be made upon Charney. Charney shall cause to be kept at his Principal Place of Business a register for the registration and transfer of the Warrants (the "Warrant Register"). The names and addresses of Holders of Warrants shall be registered in the Warrant Register. Charney shall record all transfers of the Warrants in the Warrant Register. The names and addresses of Holders of Warrants, the transfer thereof and the names and addresses of transferees of Warrants shall be registered in the Warrant Register. Charney may treat the person in whose name any Warrant Certificate is registered in the Warrant Register as the owner and holder thereof and the Warrants represented thereby for all purposes, except that, if and when any Warrant Certificate is properly assigned in blank, Charney shall treat the bearer thereof as the owner of such Warrant Certificate and the Warrants represented thereby. Warrants, if properly assigned, may be exercised by a new Holder without a new Warrant Certificate first having been issued.

(b) Upon surrender at the Principal Place of Business of any Warrant Certificate for exchange or for registration of transfer (together with, in the case of any transfer of all or any portion of the Warrants represented by such Warrant Certificate, a Form of Assignment in the form of Exhibit 2 to the Warrant Certificate duly filled in and signed by the Holder thereof), Charney shall execute and deliver to or upon the order of the Holder thereof a new Warrant Certificate or Warrant Certificates of like tenor, in the name of such Holder or as such Holder may direct, calling in the aggregate for the number of Common Shares called for in the Warrant Certificate so surrendered.

Section 4.2 Replacement of Warrants. Upon receipt of evidence reasonably satisfactory to Charney of the loss, theft, destruction or mutilation of any Warrant Certificate, Charney, at his sole expense (including, without limitation, the payment of any applicable transfer taxes), shall execute and deliver, in lieu thereof, a new Warrant Certificate of like tenor and dated the date hereof.

Section 4.3 Required Legend. Each Holder hereby acknowledges that the Warrant Certificates shall bear a legend substantially in the following form:

> THE WARRANTS REPRESENTED BY THIS WARRANT CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR ANY APPLICABLE STATE SECURITIES LAWS AND MAY NOT BE OFFERED, SOLD, TRANSFERRED, HYPOTHECATED OR OTHERWISE ASSIGNED WITHOUT COMPLIANCE WITH THE REGISTRATION OR QUALIFICATION PROVISIONS OF APPLICABLE FEDERAL AND STATE SECURITIES LAWS OR APPLICABLE EXEMPTIONS THEREFROM.

Whenever the foregoing legend is no longer required in the opinion of counsel to any Holder, upon request of any such Holder, Charney shall issue or cause to be issued in the name of and delivered to such Holder or as such Holder may direct new Warrant Certificates of like tenor, dated the date hereof without such legend.

Article V
Representations and Warranties; Covenants

Section 5.1 Representations and Warranties of Charney.

Charney represents and warrants to, and agrees with, each of the Holders that:

(a) All consents, approvals, authorizations and orders necessary for the execution and delivery by Charney of this Agreement, the issuance by Charney of the Warrants pursuant hereto and the transfer by Charney of Common Shares pursuant to the Warrants have been obtained; and Charney has full right, power and authority to enter into this Agreement, to issue the Warrants pursuant thereto and to transfer Common Shares pursuant to the Warrants;

(b) The issuance of the Warrants pursuant hereto, the transfer of Common Shares pursuant to the Warrants and the compliance by Charney with all of the provisions of this Agreement and the consummation of the transactions herein contemplated (i) will not conflict with or result in a breach or violation of any of the terms or provisions of, or constitute a default under, any statute, indenture, mortgage, deed of trust, loan agreement or other agreement or instrument to which Charney is a party or by which Charney is bound or to which any of the property or assets of Charney is subject, (ii) nor will such actions result in any violation of the provisions of any statute or any order, rule or regulation of any court or governmental agency or body having jurisdiction over Charney or the property of Charney; and

(c) Charney is the record holder of the Common Shares transferable on exercise of the Warrants with full dispositive power thereover, and holds such Common Shares free and clear of all liens, encumbrances, equities or claims.

Section 5.2 Further Assurances. From the date hereof until and through the Expiration Date, Charney shall take all such action as may be necessary or appropriate in order that the representations and warranties set forth in Section 5.1 are true and correct at all times, and that Charney may validly and legally transfer fully paid and nonassessable Common Shares upon the exercise by Holders of all outstanding Warrants in accordance with the terms hereof. Charney shall not intentionally avoid or seek to avoid the observance or performance of any of the terms of this Agreement.

Article VI
Definitions

Section 6.1 Definitions. The following terms have the meanings indicated below, unless the context otherwise requires:

"Business Day" means any day other than a Saturday or a Sunday or a day on which commercial banking institutions in New York City are authorized or required to be closed.

"Cash Exchange" has the meaning set forth in Section 2.3.

"Cash Exercise Payment" has the meaning set forth in Section 2.2.

"Common Shares" means the shares of common stock of the Company, par value $0.0001 per share, any capital stock into which such Common Shares shall have been changed or converted, any capital stock resulting from any reclassification of such Common Shares, and all other capital stock of any class or classes of the Company the holders of which have the right either to all or any portion of the balance of current dividends and liquidating dividends after the payment of dividends and distributions on any shares entitled to preference.

"Company" has the meaning set forth in the Recitals.

"Convertible Securities" means any evidences of indebtedness, shares of capital stock (other than Common Shares) or other securities convertible into or exchangeable for, directly or indirectly, Common Shares.

"Corporate Transaction" has the meaning set forth in Section 3.2.

"Distribution FMV" means, with respect to any dividend or other distribution by the Company, the Fair Market Value per Common Share on the record date for such dividend or other distribution.

"Exercise FMV" means, with respect to the exercise or exchange of any Warrant or Warrants, the Fair Market Value per Common Share on the Business Day immediately preceding the date of such exercise or exchange.

"Exchange Shares" means, with respect to any exchange of Warrants pursuant to Section 2.3, the number of Warrants exchanged multiplied by the Number of Shares Per Warrant.

"Exercise Price" has the meaning set forth in Section 2.1.

"Expiration Date" means July 15, 2017.

"Fair Market Value" of any Common Shares on any date means, (i) if the Common Shares are listed on a national stock exchange, the officially quoted closing price on such stock exchange, or (ii) if the Common Shares are not listed on a national stock exchange, the fair market value as determined in good faith by Charney and Standard General; provided that if Charney and Standard General are unable to reach agreement on the fair market value of any Common Shares pursuant to the foregoing clause (ii), (x) Fair Market Value shall be determined by an independent nationally recognized valuation firm mutually agreed by Charney and Standard General, and (y) prior to the final determination of Fair Market Value by such valuation firm, Charney and Standard General shall each be entitled to (a) receive a copy of any draft appraisals, material reports and material correspondence from such valuation firm and (b) reasonable opportunities to discuss the appraisal with the valuation firm. The fees, costs and expenses of the valuation firm shall be borne equally by Charney, on the one hand, and Standard General, on the other hand.

"Holder" has the meaning set forth in the Preamble.

"Letter Agreement" has the meaning set forth in the Recitals.

"Note" means any note issued pursuant to the Credit Agreement, dated July [•], 2014, represented by a letter from Standard General L.P., as agent for the Lenders, and the SG Master Fund and PSG, as Lenders, to Charney, as Borrower.

"Number of Shares Per Warrant" has the meaning set forth in Section 2.1.

"Options" means rights, options or warrants to subscribe for, purchase or otherwise acquire, directly or indirectly, Common Shares, including, without limitation, Convertible Securities.

"Payment Amount" has the meaning set forth in Section 2.2.

"Person" means an individual, partnership, corporation, limited liability company, joint stock company, unincorporated organization or association, trust, joint venture, association or other similar entity, whether or not a legal entity.

"Principal Place of Business" has the meaning set forth in Section 4.1.

"Required Interest" means Holders of a majority of the Warrants at the time outstanding.

"Share Exchange" has the meaning set forth in Section 2.3.

"Warrants" has the meaning set forth in the Recitals.

"Warrant Certificates" has the meaning set forth in Section 1.1.

"Warrant Register" has the meaning set forth in Section 4.1.

Article VII
Miscellaneous

Section 7.1 Remedies Cumulative. Except as otherwise provided in this Agreement, any and all remedies expressly conferred upon any party hereto shall be cumulative with, and not exclusive of, any other remedy contained in this Agreement, at law or in equity. The exercise by a party hereto of any one remedy shall not preclude the exercise by it of any other remedy.

Section 7.2 No Rights or Liabilities as Stockholder. Nothing contained in this Agreement shall be construed as imposing any obligation on any Holder to purchase any securities or as imposing any liabilities on such Holder as a stockholder of the Company, whether such obligation or liabilities are asserted by the Company or by creditors of the Company or otherwise.

Section 7.3 Notices. All notices, requests, demands and other communications provided for hereunder shall be in writing and mailed (by first class registered or certified mail, postage prepaid, return receipt requested), sent by hand delivery, express overnight courier service or facsimile or email transmission, or delivered to the applicable party, if to Charney, at his Principal Place of Business, or if to any Holder, at the registered address of such Holder as set forth in the Warrant Register or at such other address as shall be designated by such Holder in a written notice to Charney (such designation to be recorded by Charney in the Warrant Register). All such notices, requests, demands and other communications shall be deemed to have been validly served, given or delivered (a) upon the earlier of actual receipt and two Business Days after deposit in the United States

mail, registered or certified mail, return receipt requested, with proper postage paid, (b) upon receipt of transmission, when sent by telecopy, facsimile or email transmission and followed by overnight courier, (c) one Business Day after deposit with a reputable overnight courier with all charges prepaid, or (d) when delivered, if hand delivered by messenger. Notwithstanding anything to the contrary herein, exercise of any Warrant shall be governed by Article II.

Section 7.4 Amendments and Waivers. This Agreement and any term hereof may be amended, altered, modified or waived only by an instrument in writing signed by the Company, Standard General and the Required Interest; provided, however, that no such amendment, alteration, modification or waiver that would treat the Holder of any Warrant in a discriminatory manner may be made without the prior written consent of such Holder. Any waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

Section 7.5 Binding Effect; Assignability. This Agreement shall be binding upon and inure to the benefit of Charney, Standard General, his and its successors and assigns, and the Holders from time to time of the Warrants. This Agreement may not be assigned by any party hereto without the consent of Charney, Standard General and the Required Interest, except that this Agreement may be assigned by (i) any Holder to any Person in connection with the transfer of all or a portion of such Holder's Warrants to such Person and (ii) by Standard General in connection with the transfer of the Required Interest by it or its affiliated funds.

Section 7.6 Prior Agreements. This Agreement constitutes the entire agreement between the parties with respect to the Warrants and supersedes any prior understandings or agreements, written or oral, concerning the subject matter hereof (including, for the avoidance of doubt, the Letter Agreement).

Section 7.7 Severability. If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced by any rule of law, or public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to any party hereto. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties hereto as closely as possible in a mutually acceptable manner in order that the transactions contemplated hereby be consummated as originally contemplated to the fullest extent possible.

Section 7.8 Termination. This Agreement shall terminate and be of no further force and effect at the close of business on the Expiration Date or the date on which none of the Warrants shall be outstanding (whether by reason of the exercise thereof or the

repurchase thereof by Charney), except that the provisions of Section 7.1 (Remedies Cumulative), this Section 7.8 (Termination) and Section 7.10 (Miscellaneous) shall continue in full force and effect after such termination.

Section 7.9 Counterparts. This Agreement may be executed in any number of counterparts, each of which will be deemed an original and all of which will constitute one and the same instrument. Such counterparts may be delivered by facsimile or other electronic transmission, and such counterparts shall be valid for all purposes.

Section 7.10 Miscellaneous. The parties hereto 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 hereto agrees that in addition to other remedies the other parties hereto shall be entitled to at law or equity, the other parties hereto 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 party 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, and (d) irrevocably consents to service of process in accordance with the procedure set forth in Section 7.3. **ALL DISPUTES ARISING OUT OF OR RELATING TO THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF DELAWARE, WITHOUT REGARD TO CONFLICTS OF LAWS PRINCIPLES. EACH PARTY HERETO IRREVOCABLY WAIVES ANY RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM (WHETHER BASED UPON CONTRACT, TORT OR OTHERWISE) RELATED TO OR ARISING OUT OF THIS AGREEMENT.**

[*Signature Page Follows*]

IN WITNESS WHEREOF, the parties hereto have executed this Warrant Agreement as of the date first above written.

DOV CHARNEY

_____

STANDARD GENERAL MASTER FUND L.P.

By: _____
Name:
Title:

P STANDARD GENERAL LTD.

By: _____
Name:
Title:

[Form of Warrant Certificate]
[Number] Warrants

THE WARRANTS REPRESENTED BY THIS WARRANT CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR ANY APPLICABLE STATE SECURITIES LAWS AND MAY NOT BE OFFERED, SOLD, TRANSFERRED, HYPOTHECATED OR OTHERWISE ASSIGNED WITHOUT COMPLIANCE WITH THE REGISTRATION OR QUALIFICATION PROVISIONS OF APPLICABLE FEDERAL AND STATE SECURITIES LAWS OR APPLICABLE EXEMPTIONS THEREFROM.

THE WARRANTS REPRESENTED BY THIS WARANT CERTIFICATE ARE SUBJECT TO A WARRANT AGREEMENT WHICH FIXES THE RIGHTS AND OBLIGATIONS OF THE COMPANY AND THE HOLDER OF THE WARRANTS. ANY TRANSFER OR PLEDGE MADE IN VIOLATION OF SUCH WARRANT AGREEMENT IS VOID. COPIES OF THE WARRANT AGREEMENT MAY BE OBTAINED BY ANY HOLDER WITHOUT CHARGE UPON WRITTEN REQUEST TO CHARNEY OR STANDARD GENERAL.

No. ___
[date], 2014

This Warrant Certificate certifies that [Holder], and its permitted assigns, are entitled to purchase from Dov Charney ("Charney"), [number of Warrants] (as adjusted, the "Number of Shares") duly authorized, validly issued, fully paid and nonassessable shares of common stock, par value $0.0001 per share ("Common Shares"), of the Company at the purchase price per share of $0.715 (as adjusted, the "Exercise Price"), at any time or from time to time prior to 5:00 P.M., New York City time, on July 15, 2017 (the "Expiration Date"), all subject to the terms, conditions and adjustments set forth in the Warrant Agreement, dated as of July [•], 2014 (as may be amended from time to time, the "Warrant Agreement"), by and among Charney and Standard General L.P. ("Standard General"), on behalf of the holders from time to time of the Warrants (the "Holders"). The warrants represented by this Warrant Certificate are warrants to purchase Common Shares (each a "Warrant" and collectively, the "Warrants," such term to include any such warrants issued in substitution therefor). The Warrants may be exercised in whole or in part in the manner, and for the exercise price, provided in the Warrant Agreement. The Warrants originally issued evidence rights to purchase the Number of Shares, subject to adjustment as provided in the Warrant Agreement. The Warrant Agreement is hereby incorporated by reference in and made a part of this Warrant Certificate and is hereby referred to for a description of the rights, limitation of rights, obligations, duties and immunities of Charney and the Holder.

Dov Charney

_____

Exhibit 1
to Warrant Certificate

Form of Election
[To be executed upon exercise or exchange of the Warrant]

To Dov Charney
1809 Apex Avenue
Los Angeles, CA 90026

The undersigned registered holder of the enclosed Warrant Certificate hereby [exchanges / exercises] [number] of the Warrants represented by such Warrant Certificate and purchases [number][1] Common Shares and / or other such securities and property in such type, number and / or amount as provided in the Warrant Agreement [and herewith makes payment of $[amount] therefore], and requests that the certificates for such shares and / or other evidences of such other securities and property, as the case maybe, be issued in the name of, and delivered to [name], whose address is [address].

Dated: _____

_____
(Signature must conform to name of holder as specified on the face of the Warrant Certificate)

_____
(Street Address)

_____
(City) (State) (Zip Code)

[1] In the case of a partial exercise, a new Warrant Certificate or Warrant Certificates, representing the unexercised portion of the Warrant, will be issued and delivered to the holder surrendering the Warrant Certificate.

Exhibit 2
to Warrant Certificate

Form of Assignment
[To be executed upon assignment of the Warrant]

To Dov Charney
1809 Apex Avenue
Los Angeles, CA 90026

FOR VALUE RECEIVED, the undersigned registered Holder of the enclosed Warrant Certificate hereby sells, assigns and transfers unto [name], whose address is [address], [number] of the Warrants represented by such Warrant Certificate to purchase Common Shares of the Company and / or other such securities and property in such type, number and / or amount as provided in the Warrant Agreement, and, if such Warrants shall not include all of the Warrants represented by the enclosed Warrant Certificate, Charney shall issue and deliver a new Warrant Certificate to the undersigned of like tenor for the remaining Warrants not transferred hereunder, and does hereby irrevocably constitute and appoint [name] attorney, to register such transfer on the books maintained for such purpose, with full power of substitution.

Dated:_____

_____
(Signature must conform in all respects to name of holder as specified on the face of the Warrant Certificate)

_____
(Street Address)

_____
(City) (State) (Zip Code)

Signed in the Presence of:

_____

Acknowledged and Accepted:

Dov Charney

_____

Exhibit F

EXECUTION COPY

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

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

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

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).

(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.

(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: _____
Name: John J. Luttrell
Title: Interim Chief Executive Officer,
Executive Vice President and
Chief Financial Officer

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

_____

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

AMERICAN APPAREL, INC.

By: _____
Name:
Title:

STANDARD GENERAL L.P.

By: _____
Name: David Glazek
Title: partner

STANDARD GENERAL MASTER FUND L.P.

By: _____
Name: David Glazek
Title: partner of its investment manager

P STANDARD GENERAL LTD

By: _____
Name: David Glazek
Title: partner of its investment manager

DOV CHARNEY

_____

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

AMERICAN APPAREL, INC.

By: _____
Name:
Title:

STANDARD GENERAL L.P.

By: _____
Name:
Title:

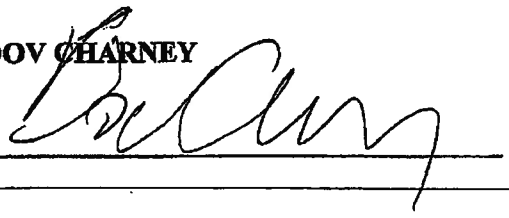
STANDARD GENERAL MASTER FUND L.P.

By: _____
Name:
Title:

P STANDARD GENERAL LTD.

By: _____
Name:
Title:

DOV CHARNEY



SCHEDULE A

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

SCHEDULE B

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

* Denotes Resigning Directors