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12 **UNITED STATES DISTRICT COURT**  
 13 **CENTRAL DISTRICT OF CALIFORNIA**  
 14 **WESTERN DIVISION**

14 IN RE AMERICAN APPAREL, INC.  
 15 SHAREHOLDER LITIGATION

Case No. CV-10-06352 MMM (JCGx)  
 (Consolidated)

16 This Document Relates To: All  
 17 Actions

**[PROPOSED] ORDER  
 PRELIMINARILY APPROVING  
 SETTLEMENT AND PROVIDING  
 FOR NOTICE**

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1           WHEREAS, a consolidated class action is pending before this Court  
2 captioned *In re American Apparel, Inc. Shareholder Litigation*, Case No. CV-10-  
3 6352 MMM (JCG) (the “Action”);

4           WHEREAS, on January 17, 2014, Lead Plaintiff Charles Rendelman, on  
5 behalf of himself and the Class (as defined below), and defendants American  
6 Apparel, Inc. (“American Apparel”), Dov Charney, Adrian Kowalewski, Lion  
7 Capital LLP and Lion Capital (Americas) Inc. (collectively, the “Defendants” and,  
8 together with Lead Plaintiff, the “Parties”), by and through their respective  
9 counsel, entered into a Stipulation and Agreement of Settlement (the “Stipulation”)  
10 which is subject to review under Rule 23 of the Federal Rules of Civil Procedure  
11 and which, together with the exhibits thereto, sets forth the terms and conditions  
12 for the proposed settlement of the claims alleged in the Second Amended Class  
13 Action Complaint for Violation of Federal Securities Laws filed with the Court on  
14 February 15, 2013; and

15           WHEREAS, the Court is familiar with and has reviewed the record in the  
16 Action and has reviewed the Stipulation, together with the exhibits attached thereto  
17 and incorporated by reference therein, and found good cause for entering the  
18 following Order;

19           NOW, THEREFORE, IT IS HEREBY ORDERED:

20           1.     This order (the “Preliminary Approval Order”) hereby incorporates by  
21 reference the definitions in the Stipulation and all terms used herein shall have the  
22 same meanings as set forth in the Stipulation.

23           2.     The Court hereby certifies, solely for purposes of effectuating the  
24 Settlement, pursuant to Federal Rule of Civil Procedure 23, a class consisting of all  
25 persons and entities who purchased or otherwise acquired the publicly traded  
26 common stock of American Apparel between November 28, 2007 and August 17,  
27 2010, inclusive (the “Class”). Excluded from the Class are Defendants, the  
28 directors and officers of American Apparel and their families and affiliates. Also

1 excluded from the Class are all persons and entities who exclude themselves from  
2 the Class by timely requesting exclusion in accordance with the requirements set  
3 forth in the Notice of Pendency and Proposed Settlement of Class Action, Motion  
4 for Attorneys' Fees and Litigation Expenses and Settlement Fairness Hearing (the  
5 "Notice").

6 3. Pursuant to Federal Rule of Civil Procedure 23 and for purposes of  
7 settlement only, the Court preliminarily certifies Lead Plaintiff Charles Rendelman  
8 as Class Representative for the Class and appoints Lead Counsel Kessler Topaz  
9 Meltzer & Check, LLP as Class Counsel for the Class. Lead Counsel is authorized  
10 to act on behalf of the Class with respect to all acts required by, or which may be  
11 undertaken pursuant to, the Stipulation or such other acts that are reasonably  
12 necessary to consummate the proposed Settlement set forth in the Stipulation.

13 4. With respect to the Class, the Court preliminarily finds, solely for  
14 purposes of effectuating the Settlement, that the prerequisites for a class action  
15 under Rules 23(a) and (b)(3) have been satisfied as: the members of the Class are  
16 so numerous that joinder of all Class Members in the class action is impracticable;  
17 there are questions of law and fact common to the Class which predominate over  
18 any individual questions; the claims of Lead Plaintiff are typical of the claims of  
19 the Class; Lead Plaintiff and his counsel have fairly and adequately represented  
20 and protected the interests of all of the Class Members; and a class action is  
21 superior to other available methods for the fair and efficient adjudication of the  
22 controversy, considering: the interests of the members of the Class in individually  
23 controlling the prosecution of the separate actions, the extent and nature of any  
24 litigation concerning the controversy already commenced by members of the Class,  
25 the desirability or undesirability of continuing the litigation of these claims in this  
26 particular forum, and the difficulties likely to be encountered in the management of  
27 the class action.

1           5.     The Court preliminarily approves: (i) the Settlement of the Action as  
2 set forth in the Stipulation, and (ii) the proposed Plan of Allocation described in the  
3 Notice, subject to the right of any Class Member to challenge the fairness,  
4 reasonableness, and adequacy of the Settlement, the Stipulation or the proposed  
5 Plan of Allocation, and to show cause, if any exists, why a final judgment  
6 dismissing the Action based on the Stipulation should not be ordered herein after  
7 due and adequate notice to the Class has been given in conformity with this Order.

8           6.     Lead Counsel is hereby authorized to retain Gilardi & Co, LLC  
9 (“Gilardi”) as the Claims Administrator in connection with the Settlement to  
10 supervise and administer the notice and claims procedures as well as the  
11 processing of claims as more fully set forth below:

12           i.     No later than May 5, 2014, the Claims Administrator shall  
13 cause a copy of the Notice and Proof of Claim and Release form (“Claim Form”),  
14 substantially in the forms attached hereto as Exhibits A(1) and A(2), respectively,  
15 to be mailed by first-class mail, postage prepaid, to all members of the Class who  
16 may be identified through reasonable effort, including through the cooperation of  
17 American Apparel and/or its transfer agents to provide security holder lists as set  
18 forth in the Stipulation (the “Notice Date”);

19           ii.    A summary notice (the “Summary Notice”), substantially in the  
20 form attached hereto as Exhibit A(3), shall be published once in the national  
21 edition of *Investor’s Business Daily* and over the *PR Newswire* no later than May  
22 15, 2014; and

23           iii.   The Notice, the Summary Notice and the Claim Form shall also  
24 be placed on the Claims Administrator’s website, on or before the Notice Date.

25           7.     Not later than ten (10) days after the submission of the Stipulation to  
26 the Court, Defendants shall have served CAFA Notice on the State and Federal  
27 officials as required by 28 U.S.C. section 1715(b). Not later than thirty-five (35)  
28 calendar days before the Settlement Fairness Hearing, Defendants shall file with

1 the Court an affidavit or declaration showing timely compliance with this CAFA  
2 Notice directive.

3 8. The Court hereby approves the form of Notice and Summary Notice  
4 (together, the “Notices”) and the Claim Form, and finds that the procedures  
5 established for publication, mailing and distribution of such Notices substantially  
6 in the manner and form set forth in ¶6 of this Preliminary Approval Order meet the  
7 requirements of Rule 23, Section 21D(a)(7) of the Securities Exchange Act of  
8 1934, as amended by the Private Securities Litigation Reform Act of 1995, 15  
9 U.S.C. § 78u-4(a)(7), the Constitution of the United States, and any other  
10 applicable law, and constitute the best notice practicable under the circumstances.

11 9. The Claims Administrator shall use reasonable efforts to give notice to  
12 brokers and other nominees who purchased or otherwise acquired the publicly  
13 traded common stock of American Apparel for the benefit of another Person during  
14 the Class Period. Those brokers and other nominees are directed to either: (i) send  
15 the Notice and Claim Form to all such beneficial owners, postmarked within ten  
16 (10) calendar days of receipt of the Notice; or (ii) send a list of the names and  
17 addresses of such beneficial owners to the Claims Administrator within ten (10)  
18 calendar days after receipt of the Notice, in which event the Claims Administrator  
19 shall mail the Notice and Claim Form to such beneficial owners within ten (10)  
20 calendar days after receipt thereof. Upon full compliance with this Preliminary  
21 Approval Order, including the timely mailing of the Notice and Claim Form to  
22 beneficial owners, such nominees may seek reimbursement of their reasonable  
23 expenses actually incurred in complying with this Preliminary Approval Order by  
24 providing the Claims Administrator with proper documentation supporting the  
25 expenses for which reimbursement is sought and reflecting compliance with these  
26 instructions, including timely mailing of the Notice and Claim Form. Such  
27 properly documented expenses incurred by nominees in compliance with the terms  
28 of this Preliminary Approval Order shall be paid from the Settlement Fund in

1 accordance with the provisions of the Stipulation, subject to further order of this  
2 Court with respect to any dispute concerning such compensation.

3 10. Pursuant to Fed. R. Civ. P. 23(e), a hearing (the “Settlement Fairness  
4 Hearing”) shall be held on July 28, 2014, at 10:00 a.m., in the United States  
5 District Court for the Central District of California, the Honorable Margaret M.  
6 Morrow presiding, for the following purposes:

7 a. to determine whether the proposed Settlement of the Action on  
8 the terms and conditions provided for in the Stipulation is fair, reasonable,  
9 adequate, and in the best interests of the Class and should be finally approved by  
10 the Court;

11 b. to determine whether the Plan of Allocation for the proceeds of  
12 the Settlement should be approved by the Court as fair and reasonable;

13 c. to determine whether the Order and Final Judgment,  
14 substantially in the form attached as Exhibit B to the Stipulation, should be  
15 entered, *inter alia*, dismissing the Action against the Defendants with prejudice and  
16 extinguishing and releasing all Settled Claims (as defined in the Stipulation);

17 d. to consider Lead Counsel’s application for an award of  
18 attorneys’ fees and reimbursement of Litigation Expenses;

19 e. to consider Lead Plaintiff’s application for reimbursement of  
20 costs and expenses (including lost wages) in connection with his representation of  
21 the Class; and

22 f. to rule on such other matters as the Court may deem  
23 appropriate.

24 11. The Court reserves the right to adjourn the Settlement Fairness  
25 Hearing or any adjournment thereof, including the consideration of the application  
26 for attorneys’ fees and reimbursement of Litigation Expenses or to change the  
27 location thereof, without further notice of any kind to Class Members.  
28



1           12. The Court reserves the right to approve the Settlement at or after the  
2 Settlement Fairness Hearing with such modification as may be consented to by the  
3 Parties to the Stipulation and without further notice to the Class.

4           13. Any member of the Class who wishes to object to the Settlement  
5 must, at least by July 7, 2014, file with the Court and serve on counsel (listed  
6 below) a written statement of objection to the Settlement, the Plan of Allocation,  
7 Lead Counsel's request for attorneys' fees and reimbursement of Litigation  
8 Expenses and/or Lead Plaintiff's request for reimbursement of costs and expenses  
9 (including lost wages) in connection with his representation of the Class. Any  
10 member of the Class who timely objects to the Settlement, the Plan of Allocation,  
11 Lead Counsel's request for attorneys' fees and reimbursement of Litigation  
12 Expenses and/or Lead Plaintiff's request for reimbursement of costs and expenses  
13 (including lost wages) in connection with his representation of the Class, or who  
14 otherwise wishes to be heard, may appear in person or by his, her, or its attorney,  
15 at his, her, or its own expense, at the Settlement Fairness Hearing and present  
16 evidence or argument that may be proper or relevant; *provided, however*, that no  
17 Person other than the Parties and their counsel shall be heard, and no papers, briefs,  
18 pleadings, or other documents submitted by any Person shall be considered by the  
19 Court, unless within twenty-one (21) calendar days prior to the Settlement Fairness  
20 Hearing, such Person files with the Court and serves upon counsel listed below:  
21 (1) a statement of such Person's objections to any matters before the Court  
22 concerning the Settlement; (2) the grounds therefore or the reasons that such  
23 Person desires to appear and be heard, as well as all documents or writings such  
24 Person desires the Court to consider; (3) whether that Person intends to present any  
25 witnesses; and (4) proof of the Person's membership in the Class, which proof  
26 shall include the Person's purchases/acquisitions of American Apparel common  
27 stock during the Class Period and any sales thereof, including the dates, the  
28 number of shares and price(s) paid and received for each such purchase,



1 acquisition and sale. Such filings shall be served upon the Court and the following  
2 counsel:

3 ***Lead Counsel for Lead Plaintiff***  
4 ***and the Proposed Class:***

5 Eli R. Greenstein, Esq.  
6 Stacey M. Kaplan, Esq.  
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18 ***Counsel for Defendants***  
19 ***Dov Charney and Adrian Kowalewski:***

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24 ***Counsel for Defendants Lion Capital LLP***  
25 ***and Lion Capital (Americas) Inc.:***

26 Chet A. Kronenberg, Esq.  
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Los Angeles, CA 90067

14. Any Person falling within the definition of the Class may, upon request, be excluded from the Class. Any such Person must submit to the Claims Administrator a request for exclusion ("Request for Exclusion") by at least July 7,

1 2014. A Request for Exclusion must state: (1) the name, address, and telephone  
2 number of the Person requesting exclusion; (2) the Person's purchases/acquisitions  
3 of American Apparel common stock during the Class Period and any sales thereof,  
4 including the dates, the number of shares and price(s) paid and received for each  
5 such purchase, acquisition and sale; and (3) that the Person wishes to be excluded  
6 from the Class. All Persons who submit valid and timely Requests for Exclusion  
7 in the manner set forth in this paragraph and the Notice shall have no rights under  
8 the Stipulation, shall not share in the distribution of the Net Settlement Fund, and  
9 shall not be bound by the Stipulation or any final judgment. Requests for  
10 Exclusion may not be submitted by e-mail, unless otherwise ordered by the Court.

11 15. Any Class Member who wishes to be eligible to participate in the Net  
12 Settlement Fund must timely submit a valid Claim Form to the Claims  
13 Administrator, at the Post Office Box indicated in the Notice, postmarked no later  
14 than September 2, 2014. Such deadline may be extended further by Court order.  
15 A Claim Form shall be deemed to have been submitted when postmarked, if  
16 mailed by first class, or registered or certified mail, postage prepaid, addressed in  
17 accordance with the instructions given in the Claim Form. All other Claim Forms  
18 shall be deemed to have been submitted at the time they are actually received by  
19 the Claims Administrator. To be valid, a Claim Form must: (i) be completed in a  
20 manner that permits the Claims Administrator to determine the eligibility of the  
21 claim as set forth in the Claim Form; (ii) include the release by the claimant of all  
22 Released Parties as set forth in the Stipulation; and (iii) be signed with an  
23 affirmation that the information is true and correct. As part of the Claim Form,  
24 each Class Member shall submit to the jurisdiction of the Court with respect to the  
25 claim submitted, and shall (subject to the effectuation of the Settlement reflected in  
26 the Stipulation) agree and enter into the release as provided in the Stipulation. All  
27 Class Members who do not submit a valid and timely Claim Form shall be barred  
28 forever from receiving any payments from the Net Settlement Fund, but will, in all

1 other respects, be subject to and bound by the provisions of the Stipulation and the  
2 Order and Final Judgment, if entered, whether favorable or unfavorable and  
3 whether or not they submit a Claim Form, unless such Persons request exclusion  
4 from the Class in a timely and proper manner, as provided herein. The Court  
5 intends to refer any disputed rejected claims to Magistrate Judge Jay C. Gandhi.

6 16. If this Settlement, including any amendment made in accordance with  
7 the Stipulation, is not approved by the Court or shall not become effective for any  
8 reason whatsoever, the Settlement (including any modification thereof) made with  
9 the consent of the Parties as provided for in the Stipulation, and any actions taken  
10 or to be taken in connection therewith (including this Order and any judgment  
11 entered herein), shall be terminated and shall become void and of no further force  
12 and effect except as set forth in the Stipulation.

13 17. All proceedings in the Action, other than such proceedings as may be  
14 necessary to carry out the terms and conditions of the Settlement, are hereby stayed  
15 and suspended until further order of this Court. Pending final determination  
16 whether the Settlement should be approved, Lead Plaintiff and all members of the  
17 Class are barred and enjoined from commencing, prosecuting, continuing, or  
18 asserting any action with regards to any of the Settled Claims against the Released  
19 Parties as defined in the Stipulation.

20 18. The contents of the Settlement Fund held by the Escrow Agent shall  
21 be deemed and considered to be in *custodia legis* of the Court, and shall remain  
22 subject to the jurisdiction of the Court, until such time as the contents of those  
23 funds shall be distributed pursuant to the Stipulation and/or further order(s) of the  
24 Court.

25 19. Lead Counsel, or an agent thereof, is authorized and directed to  
26 prepare any tax returns and any other tax reporting for or in respect of the  
27 Settlement Fund and to pay from the Settlement Fund any Taxes owed with respect  
28 to the Settlement Fund, and to otherwise perform all obligations with respect to

1 Taxes and any reporting or filings in respect thereof as contemplated by the  
2 Stipulation, without further order of the Court.

3 20. The Court authorizes payment out of the Settlement Fund of notice  
4 and administration expenses in accordance with the Stipulation.

5 21. The Stipulation and all negotiations, statements, and proceedings in  
6 connection therewith shall not, in any event, be construed or deemed to be  
7 evidence of an admission or concession on the part of Lead Plaintiff, any  
8 Defendant, any member of the Class, or any other Person, of any liability or  
9 wrongdoing of any nature by them, or any of them, and shall not be offered or  
10 received in evidence in any action or proceeding (except an action to enforce the  
11 Stipulation and Settlement contemplated thereby), or be used in any way as an  
12 admission, concession, or evidence of any liability or wrongdoing of any nature,  
13 and shall not be construed as, or deemed to be evidence of, an admission or  
14 concession that Lead Plaintiff, any member of the Class, or any other Person, has  
15 or has not suffered any damage.

16 22. All motions and papers in support of the Settlement, the Plan of  
17 Allocation, Lead Counsel's request for an award of attorneys' fees and  
18 reimbursement of Litigation Expenses and/or Lead Plaintiff's request for  
19 reimbursement of costs and expenses (including lost wages) in connection with his  
20 representation of the Class, shall be filed and served no later than June 23, 2014,  
21 and all reply briefs in support of said motions shall be filed and served no later  
22 than July 14, 2014.

23 23. The Court further retains jurisdiction over this Action to consider all  
24 further matters arising out of or connected with the Settlement reflected in the  
25 Stipulation, including enforcement of the releases provided for in the Stipulation.

26 24. The passage of title and ownership of the Settlement Fund to the  
27 Escrow Agent in accordance with the terms of the Stipulation is approved. No  
28 Person that is not a Class Member shall have any right to any portion of, or in the

1 distribution of, the Net Settlement Fund unless otherwise ordered by the Court or  
2 otherwise provided in the Stipulation.

3 25. The Court may, for good cause, extend any of the deadlines set forth  
4 in this Order without further notice to Class Members.

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DATED: April 16, 2014



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HON. MARGARET M. MORROW  
UNITED STATES DISTRICT JUDGE