

Form PTO-1594 (Rev. 06/04)  
OMB Collection 0651-0027 (exp. 6/30/2005)

U.S. DEPARTMENT OF COMMERCE  
United States Patent and Trademark Office

### RECORDATION FORM COVER SHEET TRADEMARKS ONLY

To the Director of the U. S. Patent and Trademark Office: Please record the attached documents or the new address(es) below.

**1. Name of conveying party(ies)/Execution Date(s):**  
American Apparel, Inc./10/29/04

- Individual(s)
- Association
- General Partnership
- Limited Partnership
- Corporation-State California
- Other \_\_\_\_\_

Citizenship (see guidelines) \_\_\_\_\_

Execution Date(s) 10/29/04

Additional names of conveying parties attached?  Yes  No

**3. Nature of conveyance:**

- Assignment
- Merger
- Security Agreement
- Change of Name
- Other \_\_\_\_\_

**2. Name and address of receiving party(ies)**  Yes  
Additional names, addresses, or citizenship attached?  No

Name: C3 Capital Partners, L.P.

Internal Address: Suite 1600

Street Address: 420 Main Street

City: Kansas City

State: Missouri

Country: USA Zip: 64111

- Association Citizenship \_\_\_\_\_
- General Partnership Citizenship \_\_\_\_\_
- Limited Partnership Citizenship \_\_\_\_\_
- Corporation Citizenship Delaware
- Other \_\_\_\_\_ Citizenship \_\_\_\_\_

If assignee is not domiciled in the United States, a domestic representative designation is attached:  Yes  No  
(Designations must be a separate document from assignment)

**4. Application number(s) or registration number(s) and identification or description of the Trademark.**

A. Trademark Application No.(s)  
76/544,549  
76/585,766

B. Trademark Registration No.(s): 2,534,190;  
2,534,189; 2,534,188; 2,359,401

Additional sheet(s) attached?  Yes  No

C. Identification or Description of Trademark(s) (and Filing Date if Application or Registration Number is unknown):

**5. Name & address of party to whom correspondence concerning document should be mailed:**

Name: Joseph P. Dubinski

Internal Address: \_\_\_\_\_

Street Address: Bryan Cave LLP  
1200 Main Street, Suite 3500

City: Kansas City

State: MO Zip: 66105

Phone Number: 816.374.3383

Fax Number: 816.374.3300

Email Address: jp@dubinski@bryancave.com

**6. Total number of applications and registrations involved:**

7

**7. Total fee (37 CFR 2.6(b)(6) & 3.41) \$ 280.00**

- Authorized to be charged by credit card
- Authorized to be charged to deposit account
- Enclosed

**8. Payment Information:**

a. Credit Card Last 4 Numbers \_\_\_\_\_  
Expiration Date \_\_\_\_\_

b. Deposit Account Number 02-4467

Authorized User Name Bryan Cave LLP

**9. Signature:**

11/12/04

Signature

Date

Kenneth A. Nelson

Name of Person Signing

Total number of pages including cover sheet, attachments, and document: 21

Documents to be recorded (including cover sheet) should be faxed to (703) 306-5995, or mailed to:  
Mail Stop Assignment Recordation Services, Director of the USPTO, P.O. Box 1450, Alexandria, VA 22313-1450

CH \$280.00 024467 76544549

**Additional Trademark Registration No.**

2,063,013

**TRADEMARK, PATENT AND COPYRIGHT  
SECURITY AGREEMENT**

THIS TRADEMARK, PATENT AND COPYRIGHT SECURITY AGREEMENT, dated as of October 29, 2004, is made by AMERICAN APPAREL, INC., a California corporation, AMERICAN APPAREL RETAIL, INC., a California corporation, and KCL KNITTING, LLC, a California limited liability company and American Apparel Dyeing & Finishing, Inc., a California corporation (collectively, jointly and severally, the "Grantor"), in favor of C3 CAPITAL PARTNERS, L.P., a Delaware limited partnership (the "Lender").

**WITNESSETH:**

WHEREAS, Lender is making loans (the "Loans") in the aggregate principal amount of up to \$12,500,000 to Grantor, evidenced by that certain Senior Subordinated Secured Term Note and that certain Senior Subordinated Future Advance Note, each of even date herewith (collectively, the "Notes") and that certain Financing Agreement of even date herewith by and between Grantor and Lender (the "Financing Agreement"); and

WHEREAS, Grantor is a borrower pursuant to that certain Amended and Restated Financing Agreement (the "Senior Loan Agreement") dated of even date herewith among Grantor and U.S. Bank National Association ("U.S. Bank"); and

WHEREAS, in connection with the making of the Loans, Lender desires to obtain from Grantor and Grantor desires to grant to Lender a security interest in certain collateral more particularly described below.

**AGREEMENT:**

NOW, THEREFORE, in consideration of the promises and to induce Lender to enter into the Financing Agreement and to induce Lender to make the Loans to Grantor under the Financing Agreement, Grantor hereby agrees with Lender, as follows:

1. Defined Terms. Unless otherwise defined herein, terms which are defined in the Financing Agreement and used herein are so used as so defined in the Financing Agreement, and the following terms shall have the following meanings:

"Collateral" has the meaning assigned to it in Section 2 of this Security Agreement.

"Copyright" means all copyrights, whether statutory or common law, registered or unregistered, now or hereafter in force throughout the world including, without limitation, all of Grantor's right, title and interest in and to all unregistered copyrights and all registered copyrights in the United States Copyright Office or anywhere else in the world, including all treaty and convention rights, and all applications for registration thereof, whether pending or in preparation, the right to sue for past, present and future infringements of any thereof, all rights

corresponding thereto throughout the world, all extensions and renewals of any thereof and all proceeds of the foregoing, including, without limitation, licenses, royalties, income, payment, claims, damages and proceeds of suit.

“Copyright License” means any agreement providing for the grant by or to Grantor of any right to use any Copyright.

“Event of Default” has the same meaning as provided in the Financing Agreement.

“Obligations” means all obligations secured hereby and shall include without limitation (a) the Loans to be made concurrently or in connection with this Security Agreement and the Financing Agreement as evidenced by the Notes in the original aggregate principal amount of \$12,500,000, and any renewals or extensions thereof, (b) the full and prompt payment and performance of any and all other indebtedness and other obligations of Grantor to Lender, direct or contingent (including but not limited to obligations incurred as endorser, guarantor or surety), however evidenced or denominated, and however and whenever incurred, including but not limited to indebtedness incurred pursuant to any present or future commitment of Lender to Grantor and any and all future advances regardless of the class of such future advances, and (c) all future advances made by Lender for taxes, levies, insurance and preservation of the Collateral and all attorney’s fees, court costs and expenses of whatever kind incident to the collection of any of said indebtedness or other obligations and the enforcement and protection of the security interest created hereby.

“Patents” means all types of exclusionary or protective rights granted (or applications therefor) for inventions in any country of the world, including all treaty and convention rights (including, without limitation, utility patents, design patents, plant patents, letters patent, continuation patents, continuation-in-part patents, reissue patents, utility models, breeders’ right certificates, inventor’s certificates, and the like), and all reissues and extensions thereof and all divisions, continuations and continuations-in-part thereof, including, without limitation, any thereof referred to in Exhibit A hereto, and the right to sue for any past, present and future infringements thereof.

“Patent License” means all agreements, whether written or oral, providing for the grant by or to Grantor of any right to manufacture, use or sell any invention covered by any claims in a Patent, including, without limitation any thereof referred to in Exhibit A hereto.

“Proceeds” means “proceeds,” as such term is defined in Section 9-102(a)(64) of the UCC and, to the extent not included in such definition, shall include, without limitation, (a) any and all proceeds of any insurance, indemnity, warranty, guaranty, letter of credit, and/or license payable to Grantor from time to time with respect to any of the Collateral, (b) all payments (in any form whatsoever) paid or payable to Grantor from time to time in connection with any taking of all or any part of the Collateral by any governmental authority or any person acting under color of governmental authority, (c) all judgments in favor of Grantor in respect of the Collateral, and (d) all other amounts from time to time paid or payable or received or receivable under or in connection with any of the Collateral.

“Security Agreement” means this Trademark, Patent and Copyright Security Agreement, as amended, supplemented or otherwise modified from time to time.

“Trademarks” means (a) all trademarks, trade names, corporate names, company names, business names, fictitious business names, trade styles, service marks, logos, and other source of business identifiers used in any country in the world, including all treaty and convention rights, whether registered or unregistered, and any and all goodwill associated therewith, now existing or hereafter acquired, and (b) all registrations, recordings and renewals thereof, and all applications in connection therewith, issued by or filed with a national, state or local governmental authority of any country, including, without limitation, all such rights referred to in Exhibit A hereto, and the right to sue for any past, present and future infringements of any thereof. Notwithstanding the foregoing, trademarks and service mark applications shall not include “intent to use” applications for trademark or service mark applications filed pursuant to Section 1(b) of the Lanham Act, unless and until an Amendment to Allege Use or a Statement of Use under Section 1(c) or 1(d) of said Act has been filed.

“Trademark License” means any agreement, material to the businesses of Grantor, written or oral, providing for the grant by or to Grantor of any right to use any Trademark, including, without limitation, any thereof referred to in Exhibit A hereto.

“UCC” means the Uniform Commercial Code as from time to time in effect in the State of Missouri.

2. Grant of Security Interest. As collateral security for the prompt and complete payment and performance when due (whether at the stated maturity, by acceleration or otherwise) of the Obligations, Grantor hereby jointly and severally assigns and grants to Lender for the benefit of Lender a security interest in all of Grantor’s right, title and interest in and to the following property now owned or at any time hereafter acquired by Grantor or in which Grantor now has or at any time in the future may acquire any right, title or interest (collectively, the “Collateral”):

- (i) all Trademarks;
- (ii) all Trademark Licenses;
- (iii) all Copyrights;
- (iv) all Copyright Licenses;
- (v) all Patents;
- (vi) all Patent Licenses; and
- (vii) to the extent not otherwise included, all Proceeds and products of any and all of the foregoing;

relating to the business or operations of Grantor as currently conducted or proposed or contemplated to be conducted now or in the future, and whether or not included in Exhibit A.

3. Representations and Warranties Concerning Trademarks, Patents and Copyrights. Grantor represents and warrants that Exhibit A hereto includes all of Grantor's registered Trademarks and Trademark Licenses, and all of the Patents and Patent Licenses owned by Grantor, in part or whole, in its own name or as to which Grantor has any colorable claim of ownership as of the date hereof.

4. Covenants. Grantor covenants and agrees with Lender that, from and after the date of this Security Agreement until the Obligations are paid in full:

(a) Further Documentation. From time to time, upon the written request of Lender, and at the sole expense of Grantor, Grantor will promptly and duly execute and deliver such further instruments and documents and take such further action as Lender may reasonably request for the purpose of obtaining or preserving the full benefits of this Security Agreement and the rights and powers herein granted, including, without limitation, the filing of any financing or continuation statement under the Uniform Commercial Code as in effect in any jurisdiction with respect to the liens created hereby. Grantor also hereby authorizes Lender to file any such financing or continuation statement without the signature of Grantor to the extent permitted by applicable law. A carbon, photographic or other reproduction of this Security Agreement shall be sufficient as a financing statement for filing in any jurisdiction. Grantor further covenants and agrees that it will execute or procure any further necessary assurance of Lender's rights under this Security Agreement, at any time, upon the request of Lender, by executing and delivering any and all papers that Lender believes may be necessary or desirable to perfect its, or its successors, assigns or other legal representatives, right, title or interest in or to any of the Collateral, any Copyright, Trademark or Patent, and, upon the request of Lender, Grantor will execute any Copyright, Trademark or Patent applications, reissue applications, or the like, and will make all rightful oaths and do all lawful acts requisite for procuring the same or for aiding therein, without further compensation or consideration.

(b) Limitation on Lien or Collateral. Subject only to prior pledges by Grantor of Collateral as contemplated pursuant to that certain Intercreditor Agreement dated as of the date hereof among Grantor, Lender, and U.S. Bank (the "**Intercreditor Agreement**") (which prior pledges will not be effective beyond the date Grantor satisfies its obligations to U.S. Bank as contemplated in the Intercreditor Agreement), Grantor will not create, incur or permit to exist, and Grantor will take all commercially reasonable actions to defend the Collateral against, and will take such other actions as is necessary to remove, any lien or claim on or to the Collateral or any portion thereof, other than the security interests created hereby, and other than as permitted pursuant to the Financing

Agreement or contemplated pursuant to the Intercreditor Agreement, and will take all actions that are necessary to defend the right, title and interest of Lender in and to any of the Collateral against the claims and demands of all persons whomsoever.

(c) Limitations on Dispositions of Collateral. Grantor will not sell, transfer or otherwise dispose of any of the Collateral, or attempt, offer or contract to do so except as permitted in the Financing Agreement.

(d) Notices. Grantor will advise Lender promptly, in reasonable detail, at Lender's address set forth in the Financing Agreement, (i) of any lien (other than liens created hereby, permitted under the Financing Agreement or contemplated by the Intercreditor Agreement) on, or claim asserted against, the Collateral or any portion thereof, and (ii) of the occurrence of any other event which could reasonably be expected to have any material adverse effect on the aggregate value of the Collateral or on the liens created hereunder.

(e) Patents, Trademarks and Copyrights.

(i) Grantor (either itself or through licensees) will (A) continue to use such Trademark on each and every trademark class of goods applicable to its current line as reflected in its current catalogs, brochures and price lists in order to maintain such Trademark in full force and effect, free from any claim of abandonment for non-use, (B) maintain as in the past the same quality of products and services offered under each such Trademark, (C) employ each such Trademark with the appropriate notice of registration and ownership, (D) not adopt or use any mark which is confusingly similar to or a colorable imitation of any Trademark unless within 30 days after such use or adoption, Lender, for its benefit, shall obtain a perfected security interest in such mark pursuant to this Security Agreement, and (E) not (and not permit any licensee or sublicensee thereof to) do any act or omit to do any act whereby any Trademark may become invalidated, abandoned, unenforceable, and/or weakened.

(ii) Grantor will not do any act, or omit to do any act, whereby any Patent may become abandoned.

(iii) Grantor will not do or permit any act or omit to do any act whereby any registered Copyright or Copyright License may lapse or become invalid or unenforceable or placed in the public domain except upon expiration at the end of an unrenovable term of a registration thereof.

(iv) Grantor will promptly notify Lender if Grantor knows, or has reason to know, that any application relating to any Patent, any Copyright or any Trademark may become abandoned or dedicated, or of

any adverse determination or material development (including, without limitation, the institution of, or any such determination or development in, any proceeding in the United States Patent and Trademark Office, the United States Copyright Office or any court, tribunal, agency, office, administrative body, and/or other governing authority in any country, as the case may be) regarding Grantor's ownership of any Patent, Copyright or Trademark or its right to register the same or to keep and maintain the same.

(v) Whenever Grantor, either by itself or through any agent, employee, licensee or designee, shall file an application for any Patent, Copyright or for the registration of any Trademark with the United States Patent and Trademark Office or United States Copyright Office, as the case may be, or any similar office or agency in any other country or any political subdivision thereof, Grantor shall report such filing to Lender within five business days after the last day of the fiscal quarter in which such filing occurs. Upon request of Lender, Grantor shall execute and deliver any and all reasonably necessary agreements, instruments, documents, and papers as Lender may request to evidence Lender's security interest in any newly filed Patent, Copyright or Trademark (or the application related thereto) and the goodwill and general intangibles of Grantor relating thereto or represented thereby, and Grantor hereby constitutes Lender its attorney-in-fact to execute and file all such writings for the foregoing purposes, all acts of such attorney being hereby ratified and confirmed; such power being coupled with an interest is irrevocable until the Obligations are paid in full.

(vi) Grantor will take all reasonable and necessary steps, including, without limitation, in any proceedings before any tribunal, office or agency in any country or any political subdivision thereof, to maintain and pursue each application (and to obtain the relevant registration or issuance) and to maintain each Patent, each Copyright and each registration of Trademarks, including, without limitation, filing of applications for renewal, affidavits of use and affidavits of incontestability when appropriate.

(vii) In the event Grantor knows or has reason to know that any material Patent, Copyright or Trademark included in the Collateral is being infringed, misappropriated, or diluted by a third party, Grantor shall promptly notify Lender after it learns thereof and shall promptly sue for infringement, misappropriation or dilution, or take other actions as Grantor shall deem appropriate under the circumstances to protect such Patent, Copyright or Trademark.



5. Lender's Rights.

(a) Powers. Subject only to a prior pledge of the Collateral by Grantor to U.S. Bank (which prior pledge will not be effective beyond the date Grantor satisfied its obligations to U.S. Bank pursuant to those documents identified in the Intercreditor Agreement), Grantor hereby irrevocably constitutes and appoints Lender and any officer or agent thereof, with full power of substitution, as its true and lawful attorney-in-fact with full irrevocable power and authority in the place and stead of Grantor and in the name of Grantor or in its own name, from time to time, in Lender's discretion, for the purpose of carrying out the terms of this Security Agreement, following the occurrence of any Event of Default, to take any and all appropriate action and to execute any and all documents and instruments which may be necessary or desirable to accomplish the purposes of this Security Agreement, and, without limiting the generality of the foregoing, Grantor hereby gives Lender the power and right, on behalf of Grantor, without notice to or assent by Grantor, following the occurrence of any Event of Default, to do the following:

(i) in the name of Grantor or its own name, or otherwise, to take possession of and endorse and collect any checks, drafts, notes, acceptances or other instruments for the payment of moneys due under, or with respect to, any Collateral and to file any claim or to take any other action or proceeding in any court of law or equity or otherwise deemed appropriate by Lender for the purpose of collecting any and all such moneys due with respect to such Collateral whenever payable;

(ii) to pay or discharge taxes and liens levied or placed on or threatened against the Collateral, to effect any repairs or any insurance called for by the terms of this Security Agreement to pay all or part of the premiums therefor and the costs thereof; and

(iii) in good faith, (a) to direct any party liable for any payment under any of the Collateral to make payment of any and all monies due or to become due thereunder directly to Lender or as Lender shall direct, (b) to ask or demand for, collect, receive payment of and receipt for, any and all moneys, claims and other amounts due or to become due at any time in respect of or arising out of any Collateral, (c) to sign and endorse any invoices, freight or express bills, bills of lading, storage or warehouse receipts, drafts against debtors, assignments, verifications, notices and other documents in connection with any of the Collateral, (d) to commence and prosecute any suits, actions or proceedings at law or in equity in any court of competent jurisdiction to collect the Collateral or any portion thereof and to enforce any other right in respect of any Collateral, (e) to defend any suit, action or proceeding brought against Grantor with respect to any Collateral, (f) to settle, compromise or adjust any suit, action or proceeding described in the preceding clause and, in connection therewith, to give such discharges or releases as Lender may

deem appropriate, (g) to assign any Patent, Copyright or Trademark (along with any and all goodwill of the business to which such Patent, Copyright or Trademark pertains), throughout the world for such term or terms, on such conditions, and in such manner, as Lender shall in its sole discretion determine, and (h) generally, to sell, transfer, pledge and make any agreement with respect to or otherwise deal with any of the Collateral as fully and completely as though Lender were the absolute owner thereof for all purposes, and to do, at Lender's option and Grantor's expense, at any time, or from time to time, all acts and things which Lender deems necessary to protect, preserve or realize upon the Collateral and the liens of Lender thereon and to effect the intent of this Security Agreement, all as fully and effectively as Grantor might do.

Grantor hereby ratifies all that said attorneys shall lawfully do or cause to be done by virtue hereof. This power of attorney is a power coupled with an interest and shall be irrevocable until all of the Obligations are paid in full and this Security Agreement is terminated.

(b) Other Powers. Grantor also authorizes Lender, at any time and from time to time, to execute, in connection with any sale provided for in Section 8 hereof, any endorsements, assignments or other instruments of conveyance or transfer with respect to the Collateral.

(c) No Duty on the Part of Lender. The powers conferred on Lender hereunder are solely to protect the interests of Lender in the Collateral and shall not impose any duty upon Lender to exercise any such powers. Lender shall be accountable only for amounts that it actually receives as a result of the exercise of such powers, and neither it nor any of its partners, officers, directors, employees or agents shall be responsible to Grantor for any act or failure to act hereunder, except for their own gross negligence or willful misconduct or failure to comply with mandatory provisions of applicable law.

6. Performance by Lender of Grantor's Obligations. If Grantor fails to perform or comply with any of its agreements contained herein and Lender, as provided for by the terms of this Security Agreement, shall itself perform or comply, or otherwise cause performance or compliance with such agreement, the expenses of Lender incurred in connection with such performance or compliance, together with interest thereon at the highest default rate provided in the Note, shall be payable by Grantor to Lender on demand and shall constitute Obligations secured hereby.

7. Proceeds. It is agreed that if an Event of Default shall occur and be continuing (a) all Proceeds received by Grantor consisting of cash, checks and other cash equivalents shall be held by Grantor in trust for Lender, segregated from other funds of Grantor, and shall, forthwith upon receipt, be turned over to Lender in the exact form received (duly endorsed to Lender, if required), and (b) any and all such Proceeds received by Lender (whether from Grantor or otherwise) shall promptly be applied by Lender against the Obligations (whether

matured or unmatured), such application to be in such order as Lender shall elect. Any balance of such Proceeds remaining after the Obligations shall have been paid in full shall be paid over to Grantor or to whomsoever may be lawfully entitled to receive the same.

8. Remedies. Notwithstanding anything to the contrary contained herein, if there is a conflict between the specific powers and remedies set forth in this Agreement and the restrictions on remedies set forth in the Financing Agreement, the specific terms of the Financing Agreement shall control. If an Event of Default shall occur and be continuing, Lender may exercise, in addition to all other rights and remedies granted to it in this Security Agreement and in any other instrument or agreement securing, evidencing or relating to the Obligations, all rights and remedies of a secured party under the UCC. Without limiting the generality of the foregoing, Lender without demand of performance or other demand, presentment, protest, advertisement or notice of any kind (except any notice required by law referred to below) to or upon Grantor or any other person (all and each of which demands, defenses, advertisements and notices are hereby waived), may in such circumstances forthwith collect, receive, appropriate and realize upon the Collateral, or any part thereof, and/or may forthwith sell, lease, assign, give an option or options to purchase, or otherwise dispose of and deliver the Collateral or any part thereof (or contract to do any of the foregoing), in one or more parcels at public or private sale or sales, at any office of Lender or elsewhere upon such terms and conditions as it may deem advisable and at such prices as it may deem best, for cash or on credit or on future delivery without assumption of any credit risk. Lender shall have the right upon any such public sale or sales, and, to the extent permitted by law, to purchase the whole or any part of the Collateral so sold, free of any right or equity of redemption in grantor, which right or equity is hereby waived or released. Grantor further agrees, at Lender's request, to assemble the Collateral and make it available to Lender at places which Lender shall reasonably select, whether at Grantor's premises or elsewhere. Lender shall apply the net proceeds of any such collection, recovery, receipt, appropriation, realization or sale, after deducting all reasonable costs and expenses of every kind incurred therein or incidental to the care or safekeeping of any of the Collateral or in any way relating to the Collateral or the rights of Lender hereunder, including, without limitation, reasonable attorneys' fees and disbursements, to the payment in whole or in part of the Obligations, in such order as Lender may elect, and only after such application and after the payment by Lender of any other amount required by any provision of law, including, without limitation, applicable provisions of the UCC, need Lender account for the surplus, if any, to the Grantor. To the extent permitted by applicable law, Grantor waives all claims, damages and demands it may acquire against Lender arising out of the exercise by Lender of any rights hereunder. If any notice of a proposed sale or other disposition of Collateral shall be required by law, such notice shall be deemed reasonable and proper if given at least 5 days before such sale or other disposition. Grantor shall remain, jointly and severally, liable for any deficiency if the proceeds of any sale or other disposition of the Collateral are insufficient to pay the Obligations and the fees and disbursements of any attorneys employed by Lender to collect such deficiency.

(a) Limitation on Duties Regarding Preservation of Collateral. Lender's sole duty with respect to the custody, safekeeping and physical preservation of the Collateral in its possession, under the applicable provisions of the UCC or otherwise, shall be to deal with it in the same manner as Lender would deal with similar property for its own account. Neither Lender nor any of

its shareholders, directors, officers, employees or agents shall be liable for failure to demand, collect or realize upon all or any part of the Collateral or for any delay in doing so or shall be under any obligation to sell or otherwise dispose of any Collateral upon the request of Grantor or otherwise.

9. Powers Coupled with an Interest. All authorizations and agencies herein contained with respect to the Collateral are irrevocable and powers coupled with an interest.

10. Severability. In the event that any provision of this Security Agreement is adjudicated to be invalid or unenforceable under applicable law in any jurisdiction, the validity or enforceability of the remaining provisions thereof shall be unaffected as to such jurisdiction and such adjudication shall not affect the validity or enforceability of such provision in any other jurisdiction. To the extent that any provision of this Security Agreement is adjudicated to be invalid or unenforceable because it is overbroad, that provision shall not be void but rather shall be limited to the extent required by applicable law and enforced as so limited. The parties expressly acknowledge and agree that this Section is reasonable in view of the parties' respective interests.

11. Recording. Grantor will, concurrent with the execution and delivery hereof, execute and file with the United States Patent and Trademark Office, a Grant of Security Interest in Trademarks and Patents in the form of Exhibit B attached hereto.

12. Paragraph Headings. The paragraph headings used in this Security Agreement are for convenience of reference only and are not to affect the construction hereof or be taken into consideration in the interpretation hereof.

13. No Waiver; Cumulative Remedies. Lender shall not by any act (except by a written instrument pursuant to Section 14 hereof), delay, indulgence, omission or otherwise be deemed to have waived any right or remedy hereunder or to have acquiesced in any default or Event of Default or in any breach of any of the terms and conditions hereof. No failure to exercise, nor any delay in exercising, on the part of Lender, any right, power or privilege hereunder shall operate as a waiver thereof. No single or partial exercise of any right, power or privilege hereunder shall preclude any other or further exercise thereof or the exercise of any other right, power or privilege. A waiver by Lender of any right or remedy hereunder on any occasion shall not be construed as a bar to any right or remedy which Lender would otherwise have on any future occasion. The rights and remedies herein provided are cumulative, may be exercised singly or concurrently and are not exclusive of any rights or remedies provided by law.

14. Waivers and Amendments; Successors and Assigns. None of the terms or provisions of this Security Agreement may be waived, amended, supplemented or otherwise modified except by a written instrument executed by Grantor and Lender, provided that any provision of this Security Agreement may be waived by Lender in a written letter or agreement executed by Lender or by telex or facsimile transmission from Lender. This Security Agreement shall be binding upon the successors and assigns of Grantor and shall inure to the benefit of Lender and its successors and assigns.

15. Notices. Any and all notices, elections or demands permitted or required to be made under this Security Agreement shall be made in accordance with the terms of the Financing Agreement.

16. Governing Law. This Security Agreement will be governed by and controlled by the internal laws of the State of Missouri as to interpretation, enforcement, validity, construction, effect, and in all other respects, excluding perfection of the security interests in the Collateral, which will be governed and controlled by the laws of the relevant jurisdiction. Any action, dispute, lawsuit, or the like, arising out of or under this Security Agreement, shall only be brought, and each party hereto consents to and agrees that venue is proper, in the City of Kansas City. The parties agree that this Agreement is and shall be deemed entered into in Kansas City, Missouri.

*[The remainder of this page intentionally left blank.]*

IN WITNESS WHEREOF, the parties hereto have caused this Security Agreement to be duly executed and delivered as of the date first above written.

**GRANTOR:**

**LENDER:**

**AMERICAN APPAREL, INC.,**  
a California corporation

**C3 CAPITAL PARTNERS, L.P.,**  
a Delaware limited partnership

By: [Signature]  
Name: Sang Ho Lim  
Title: President Secretary

By: **C3 PARTNERS, LLC**  
a Delaware limited liability company  
Its General Partner

By: [Signature]  
Name: Robert Smith  
Title: Manager

**AMERICAN APPAREL RETAIL, INC.,**  
a California corporation

By: [Signature]  
Name: Sang Ho Lim  
Title: Secretary

**KCL KNITTING, LLC,**  
a California limited liability company

By: [Signature]  
Name: Sang Ho Lim  
Title: Secretary of Member

**AMERICAN APPAREL DYEING & FINISHING, INC.,**  
a California corporation

By: [Signature]  
Name: Sang Ho Lim  
Title: President

**EXHIBIT A**

**TRADEMARKS**

Attached

**TRADEMARK LICENSES**

Attached

**PATENTS**

None

**PATENT LICENSES**

None

## INTELLECTUAL PROPERTY

## DOMESTIC TRADEMARKS

Trademark	Registration Number	Issue Date
STANDARD AMERICAN	2,534,190	January 29, 2002
CLASSIC BABY & Design	2,534,189	January 29, 2002
CLASSIC GIRL	2,534,188	January 29, 2002
ALL AMERICAN APPAREL	2,359,401	September 20, 2000
ALL AMERICAN APPAREL	2,063,013	May 20, 1997

## DOMESTIC TRADEMARK APPLICATIONS

Trademark	Application Number	Filing Date
AMERICAN APPAREL	76-544,549	September 15, 2003
SUSTAINABLE EDITION	76-585-766	April 8, 2004

## FOREIGN TRADEMARKS

Trademark	Country/Registration Num	Issue Date
CLASSIC GIRL & Design	Taiwan 1,052,601	August 1, 2003
CLASSIC BABY & Design	Taiwan 1,051,285	July 16, 2003
STANDARD AMERICAN & Design	Taiwan 1,078,209	January 1, 2004
STANDARD AMERICAN	Japan 4,607,407	September 27, 2002
CLASSIC BABY	Japan 4,513,151	October 12, 2001
CLASSIC GIRL & Design	Japan 4,513,149	October 12, 2001
Classic Baby Design	Japan 4,513,150	October 12, 2001
Classic Girl Design	Japan 4,513,148	October 12, 2001
aa Design	PR China 3232543	January 14, 2004
CLASSIC BABY & Design	PR China 3232541	January 14, 2004
STANDARD AMERICAN & Design	UK 2769586	April 22, 2003
GIRLY T	UK 27693768	July 30, 2002

## FOREIGN TRADEMARK APPLICATIONS

Trademark	Country/Application Num	Filing Date
AMERICAN APPAREL	Taiwan 91-027701	June 27, 2002
CLASSIC GIRL	PR China 3743530	October 8, 2003
CLASSIC GIRL	UK 2769552	July 1, 2002
AMERICAN APPAREL	UK 2769594	July 1, 2002
CLASSIC BABY & Design	UK 2769560	July 1, 2002
AMERICANAPPAREL.NET	Germany 3094927	July 3, 2003
CLASSIC BABY & Design	Germany 3254638	July 3, 2003
AA & Design	Germany 3254604	July 3, 2003
STANDARD AMERICAN & Design	Germany 3254554	July 3, 2003
CLASSIC GIRL & Design	Germany 3254571	July 3, 2003
SUSTAINABLE EDITION	Germany	2004
AMERICAN APPAREL	Japan	

## LICENSES

All American Apparel trademark licensed to Roochi Traders



**EXHIBIT B****GRANT OF SECURITY INTEREST IN TRADEMARKS AND PATENTS**

WHEREAS, AMERICAN APPAREL, INC., a California corporation, AMERICAN APPAREL RETAIL, INC., a California corporation, American Apparel Dyeing & Finishing, Inc., a California corporation, and KCL KNITTING, LLC, a California limited liability company (collectively, jointly and severally, "Grantor"), is the owner of all right, title and interest in and to the trademarks, trademark registrations, trademark applications, patents, and any and all goodwill associated therewith, set forth on Schedule A attached hereto;

WHEREAS, C3 CAPITAL PARTNERS, L.P., a Delaware partnership, having its principal offices at 4520 Main Street, Suite 1600, Kansas City, Missouri 64111 (the "Grantee"), desires to acquire a security interest in, and lien on, all of Grantor's right, title and interest in and to Grantor's trademarks, trademark registrations, trademark applications, patents, and any and all goodwill associated therewith; and

WHEREAS, the Grantor is willing to assign and grant to the Grantee a security interest in and lien upon the trademarks, trademark registrations, trademark applications, patents, and any and all goodwill associated therewith, described above.

NOW, THEREFORE, for good and valuable consideration, the sufficiency and receipt of which is hereby acknowledged, and subject to the terms and conditions of the Trademark, Patent and Copyright Security Agreement, dated as of October 29, 2004, between the Grantor and the Grantee (as amended from time to time, the "Security Agreement"), subject only to the prior pledges of Collateral (as defined in the Security Agreement) by Grantor to U.S. Bank National Association ("U.S. Bank") (which prior pledge will not be effective beyond the date Grantor satisfied its obligations to U.S. Bank under the documents identified in that certain Subordination and Intercreditor Agreement dated as of October 29, 2004 among Grantor, Grantee, and U.S. Bank) the Grantor hereby assigns and grants to the Grantee a security interest in, and a lien upon, all of Grantor's right, title and interest in and to (i) all of Grantor's right, title and interest in and to the trademarks, trademark registrations, trademark applications, and any and all goodwill associated therewith (the "Marks") set forth on Schedule A attached hereto, (ii) all of Grantor's rights, title and interest in and to the patents (the "Patents") set forth on Schedule B attached hereto, in each case together with (iii) all Proceeds (as such term is defined in the Security Agreement) and products of the Marks, (iv) all of the goodwill of the businesses with which the Marks are associated and (v) all causes of action, past, present and future, for infringement, misappropriation, or dilution of any of the Marks and/or Patents or unfair competition regarding the same.

This GRANT OF SECURITY INTEREST is made to secure the satisfactory performance and payment of all the Obligations (as such term is defined in the Security Agreement) of the Grantor and shall be effective as of the date of the Security Agreement.

This Grant of Security Interest has been granted in conjunction with the security interest granted to Grantee under the Security Agreement. The rights and remedies of the Grantee with respect to the security interest granted herein are without prejudice to, and are in addition to those set forth in the Security Agreement, all terms and provisions of which are incorporated herein by reference. In the event that any provisions of this Grant of Security Interest are deemed to conflict with the Security Agreement, the provisions of the Security Agreement shall govern.

[Remainder of this page intentionally left blank]

IN WITNESS WHEREOF, the parties hereto have caused this Security Agreement to be duly executed and delivered as of the date first above written.

**GRANTOR:**

**LENDER:**

**AMERICAN APPAREL, INC.,**  
a California corporation

**C3 CAPITAL PARTNERS, L.P.,**  
a Delaware limited partnership

By: [Signature]

By: **C3 PARTNERS, LLC**  
a Delaware limited liability company  
Its General Partner

Name: Sang Ho Lim

Title: Secretary

By: [Signature]

Name: Robert Smith  
Title: Manager

**AMERICAN APPAREL RETAIL, INC.,**  
a California corporation

By: [Signature]

Name: Sang Ho Lim

Title: Secretary

**KCL KNITTING, LLC,**  
a California limited liability company

By: [Signature]

Name: Sang Ho Lim

Title: Secretary of Member

**AMERICAN APPAREL DYEING & FINISHING, INC.,**  
a California corporation

By: [Signature]

Name: Sang Ho Lim

Title: President

SCHEDULE A

TRADEMARKS

PATENTS

None

## INTELLECTUAL PROPERTY

## DOMESTIC TRADEMARKS

Trademark	Registration Number	Issue Date
STANDARD AMERICAN	2,534,190	January 29, 2002
CLASSIC BABY & Design	2,534,189	January 29, 2002
CLASSIC GIRL	2,534,188	January 29, 2002
ALL AMERICAN APPAREL	2,359,401	September 20, 2000
ALL AMERICAN APPAREL	2,063,013	May 20, 1997

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Trademark	Application Number	Filing Date
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SUSTAINABLE EDITION	76-585-766	April 8, 2004

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