

TRADEMARK ASSIGNMENT

Electronic Version v1.1
 Stylesheet Version v1.1

SUBMISSION TYPE:	NEW ASSIGNMENT
NATURE OF CONVEYANCE:	SECURITY INTEREST

CONVEYING PARTY DATA

Name	Formerly	Execution Date	Entity Type
American Apparel, Inc.		10/31/2005	CORPORATION: CALIFORNIA

RECEIVING PARTY DATA

Name:	U.S. Bank, National Association, as Agent
Street Address:	633 W. Fifth St., 29th Floor
Internal Address:	LM-CA-T29B
City:	Los Angeles
State/Country:	CALIFORNIA
Postal Code:	90071
Entity Type:	national bank:

PROPERTY NUMBERS Total: 14

Property Type	Number	Word Mark
Registration Number:	2954280	AMERICAN APPAREL
Registration Number:	2984703	SUSTAINABLE EDITION
Registration Number:	2534190	STANDARD AMERICAN
Registration Number:	2534189	CLASSIC BABY
Registration Number:	2534188	CLASSIC GIRL
Registration Number:	2359401	ALL AMERICAN APPAREL
Registration Number:	2063013	ALL AMERICAN APPAREL
Serial Number:	76624846	AMERICAN APPAREL
Serial Number:	76624848	AMERICAN APPAREL
Serial Number:	76624847	AA
Serial Number:	76624845	CLASSICBABY
Serial Number:	76624844	STANDARD AMERICAN
Serial Number:	76626262	CLASSICGIRL

CH \$365.00 2954280

Serial Number:

76626261

SUSTAINABLE EDITION

CORRESPONDENCE DATA

Fax Number: (213)443-2926

Correspondence will be sent via US Mail when the fax attempt is unsuccessful.

Phone: 213-617-5493

Email: jcravitz@sheppardmullin.com

Correspondent Name: Sheppard, Mullin, Richter & Hampton LLP

Address Line 1: 333 S. Hope St., 48th Floor

Address Line 2: Attn: J. Cravitz

Address Line 4: Los Angeles, CALIFORNIA 90071

NAME OF SUBMITTER:

Julie Cravitz

Signature:

/julie cravitz/

Date:

01/17/2006

Total Attachments: 18

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TRADEMARK SECURITY AGREEMENT

THIS TRADEMARK SECURITY AGREEMENT (this "Agreement"), dated as of October 31, 2005, by and among U.S. BANK NATIONAL ASSOCIATION, as Agent for the benefit of the Secured Creditors (as defined below) ("Agent"), on the one hand, and AMERICAN APPAREL, INC., a California corporation ("Apparel"), KCL KNITTING, LLC, a California limited liability company ("KCL"), AMERICAN APPAREL RETAIL, INC., a California corporation ("Retail") and AMERICAN APPAREL DYEING & FINISHING, INC., a California corporation ("Dyeing" and together with Apparel, KCL, and Retail each a "Borrower" and collectively "Borrowers"), is as follows:

1. DEFINITIONS.

1.1 Financing Agreement. Any capitalized term used, but not defined in, this Agreement will have the meaning given in the Financing Agreement between the Borrowers, the Lenders party thereto and Agent dated as of the date of this Agreement (as amended, extended, renewed, supplemented or otherwise modified from time to time, the "Financing Agreement").

1.2 Defined Terms. In addition to the other terms defined in the Agreement, whenever the following capitalized terms (whether or not underscored) are used, they shall be defined as follows:

"material item of the Trademark Collateral" means the mark(s) listed on Schedule I and each item of the Trademark Collateral unless, with respect to the applicable item of Trademark Collateral, the goodwill of the business connected with and symbolized by such application, registration, trademark or service mark is not necessary in the conduct of Borrowers' business.

"Secured Creditors" means, collectively, Agent, each Lender (as defined in the Financing Agreement) and the LC Issuer (as defined in the Financing Agreement).

1.3 Other Definitional Provisions; Construction. Unless otherwise specified,

(i) As used in this Agreement, accounting terms relating to Borrowers not defined in this Agreement have the respective meanings given to them in accordance with GAAP.

(ii) References to the Uniform Commercial Code, UCC or the Code mean as enacted in the particular jurisdiction(s) encompassed by the reference.

(iii) The definition of any document, instrument or agreement includes all schedules, attachments and exhibits thereto and all renewals, extensions, supplements, restatements and amendments thereof. All Exhibits and Schedules attached to this Agreement are incorporated into, made and form an integral part of, this Agreement for all purposes.

(iv) "Hereunder," "herein," "hereto," "this Agreement" and words of similar import refer to this entire document; "including" is used by way of illustration and not by way of limitation, unless the context clearly indicates the contrary; the singular includes the plural and

conversely; and any action required to be taken by Borrowers is to be taken promptly, unless the context clearly indicates the contrary.

(v) All of the uncapitalized terms contained in this Agreement which are now or hereafter defined in the Code will, unless the context indicates otherwise, have the meanings provided for now or hereafter in the Code.

2. GRANT OF SECURITY. To secure the full, prompt and complete payment and performance of the Obligations, Borrowers hereby grant to, and create in favor of, Agent for the benefit of the Secured Creditors a continuing security interest in, and Lien on, all of the Trademark Collateral. As used in this Agreement, "Trademark Collateral" means, collectively, (i) all of Borrowers' right, title and interest in and to all of its now or in the future owned or existing trademarks, service marks, trademark or service mark registrations, trade names, and trademark or service mark applications (exclusive, for purposes only of this Agreement, of any Intent to Use Applications as defined below), including each mark, registration, and application listed on Schedule I attached hereto and made a part hereof (the property in this item (i) being collectively, the "Trademarks"); (ii) all renewals of each of the Trademarks; (iii) all income, royalties, damages and payments now and in the future due or payable under with respect to any and all Trademarks, including damages and payments for past or future infringements of any and all Trademarks; (iv) all rights to sue for past, present and future infringements of any and all Trademarks; (v) all rights corresponding to each of the Trademarks throughout the world; (vi) all rights of Borrowers as licensor or licensee under, and with respect to, trademarks, service marks, trade names, and trademark and service mark applications, including the licenses listed on Schedule I and the Trademark Licenses (as defined in Section 3.1) (Borrowers' rights as licensor or licensee sometimes referred to in this Agreement collectively as "Trademark License Rights"); and (vii) together in each case with the goodwill of Borrowers' business connected with the use of, and symbolized by, the Trademark Collateral. Notwithstanding anything to the contrary in this Agreement, nothing in this Agreement is intended to be, or may be construed to be, an assignment of any application to register any trademark or service mark based on any intent to use filed by, or on behalf of, Borrowers ("Intent to Use Applications"), and any Intent to Use Applications are specifically excluded from Trademark Collateral for purposes of this Agreement.

3. LICENSES.

3.1 Licenses. Each Borrower expressly represents, warrants, covenants and agrees that, except licenses granted before the date of this Agreement as set forth on Schedule I, it shall not license, as licensor, any Trademarks (a "Trademark License") included in the Trademark Collateral without the prior written consent of Agent, which consent will not be unreasonably withheld by Agent, and each such Trademark License so granted, except licenses granted before the date of this Agreement as set forth on Schedule I, shall be subject to the terms and conditions of this Agreement, including the termination provisions in Section 3.2. Agent shall not be under any obligation to consent to a Trademark License unless it is necessary or appropriate in the ordinary course of Borrowers' business as presently conducted by it and so long as no Event of Default has occurred and is continuing.

3.2 Event of Default. If an Event of Default occurs, Agent shall have the right, immediately or at any time thereafter, in its sole discretion, to deliver to Borrowers and to each licensee under a Trademark License notice terminating the Trademark Licenses, whereupon (i) the Trademark Licenses will automatically and immediately terminate without any further notice or demand (which Borrowers expressly waive); (ii) all rights and interests of the licensees in and to and under the Trademark Licenses will revert to Borrowers; and (iii) all rights of the licensees in the Trademark Collateral will cease to exist and be void. If the Event of Default is cured to Bank's satisfaction or is waived in writing by Bank (with the consent of the Lenders as required by Section 14.1 of the Financing Agreement), then, without any further action on the part of Agent, the Trademark Licenses will immediately revert with the licensees on the cessation of the Event of Default subject to the terms of this Agreement.

4. REPRESENTATIONS AND WARRANTIES. Each Borrower represents and warrants that:

(i) Each Borrower is the sole legal and beneficial owners of the entire right, title and interest in and to the Trademark Collateral, free and clear of any Lien, option, or license except as otherwise disclosed in Schedule I.

(ii) Set forth in Schedule I is a complete and accurate list of all Trademarks and the Trademark License Rights owned by each Borrower or in which each Borrower has any rights.

(iii) Each Trademark identified in Schedule I is subsisting and has not been adjudged invalid, unregistrable or unenforceable, in whole or in part, and each registered trademark and service mark and, to each Borrower's knowledge, each application for trademark and service mark registration is valid, registered or registrable and enforceable. Borrowers have notified Agent in writing of all prior uses of any material item of the Trademark Collateral of which Borrowers are aware which could lead to such item becoming invalid or unenforceable, including prior unauthorized uses by third parties and uses which were not supported by the goodwill of the business connected with such item.

(iv) Borrowers have not granted any license, release, covenant not to sue, or non-assertion assurance to any Person with respect to any part of the Trademark Collateral except as otherwise disclosed in Schedule I.

(v) Reasonable and proper statutory notice has been used in connection with the use of each registered trademark and service mark.

(vi) The Trademark License Rights are in full force and effect, and Borrowers are not in default under any of the Trademark License Rights and, to each Borrower's knowledge, no event has occurred which with notice, the passage of time, the satisfaction of any other condition, or all of them, might constitute a default by any Borrower under the Trademark License Rights.

(vii) Except for the filing of UCC financing statements, no authorization, consent, approval or other action by, and no notice to or filing or recording with, any Governmental Authority is currently or is reasonably expected to be required either (a) for the

grant by Borrowers of the Liens granted hereby or for the execution, delivery or performance of this Agreement by Borrowers, or (b) for the perfection of or the exercise by Agent of its rights and remedies hereunder.

5. FURTHER ASSURANCES.

5.1 Required Borrowers Actions. Borrowers will from time to time, at their expense, promptly execute and deliver all further instruments, documents and agreements take all further action, that may be necessary or desirable, or that Agent may reasonably request, in order to (i) continue, perfect and protect the security interests and Liens granted or purported to be granted by this Agreement or (ii) enable Agent to exercise and enforce its rights and remedies under this Agreement with respect to any part of the Trademark Collateral.

5.2 Financing Statements. Without limiting the generality of Section 5.1, Agent is authorized by Borrowers (i) to file one or more financing statements disclosing Agent's security interest and Lien under this Agreement without any Borrower's signature appearing thereon and to correct or complete, or to cause to be corrected or completed, any financing statements, continuation statements or other such documents as have been filed naming Borrowers as debtor and Agent as secured party and (ii) to give notice to any creditor or landlord of Borrowers or to any other Person to whom Agent may reasonably determine is necessary or desirable under applicable law to give notice to perfect or preserve Agent's interests in the Trademark Collateral. A carbon, photographic or other reproduction of this Agreement or any financing statement covering the Trademark Collateral or any part thereof will be sufficient as a financing statement.

5.3 Further Information. Borrowers will furnish to Agent from time to time statements and schedules further identifying and describing the Trademark Collateral, including any licensing of Trademark Collateral, and all other reports in connection with the Trademark Collateral as Agent may reasonably request, all in reasonable detail.

5.4 Additional Ownership Interests. Borrowers agree that, should any of them obtain an ownership interest in any Trademark License Rights or Trademarks, which are not now identified in Schedule I, (i) Borrowers will give prompt written notice to Agent, (ii) the provisions of Section 2 shall automatically apply to the Trademark License Rights and Trademarks (exclusive of any Intent to Use Applications) acquired or obtained, and (iii) each of such Trademark License Rights and Trademarks (exclusive of any Intent to Use Applications), together with the goodwill of the business connected with the use of the mark and symbolized by it, shall automatically become part of the Trademark Collateral. Borrowers authorize Agent to modify this Agreement by amending Schedule I to include any of the Trademark License Rights or Trademarks which become part of the Trademark Collateral under this Section 5.4.

5.5 Maintenance of Rights. Borrowers will take all necessary steps in any proceeding before the United States Patent and Trademark Office (or any similar office or agency in any other country or any political subdivision of that country) or in any court to maintain each registered Trademark and to pursue each material item of Trademark Collateral, including the filing of applications for renewal, the payment of maintenance fees, and the participation in opposition, interference and infringement proceedings. To the extent necessary to the conduct of its businesses, Borrowers agree to take corresponding steps with respect to the other items of

Trademark Collateral (*i.e.*, exclusive of any material item of Trademark Collateral) and each new or other registered Trademark and application for Trademark registration to which Borrowers are now or later become entitled. Any expenses incurred in connection with such activities shall be borne by Borrowers. Borrowers shall not (i) abandon any registration of or any material item of Trademark Collateral or (ii) abandon any right to file an application for Trademark registration, or, with respect to any other Trademark Collateral (*i.e.*, exclusive of any material item of Trademark Collateral), abandon any pending application, registration, or Trademark, unless the goodwill of the business connected with and symbolized by such application, registration, or Trademark is not necessary in the conduct of Borrowers' business.

5.6 Notification. Borrowers will notify Agent immediately when Borrowers learn (i) that any material item of the Trademark Collateral may become abandoned or dedicated; (ii) of any adverse determination or any development (including the institution of any proceeding in the United States Patent and Trademark Office or any other U.S. or foreign court or tribunal of any kind) regarding any material item of the Trademark Collateral; or (iii) that any Borrower is or potentially could be in default of any of the Trademark License Rights.

5.7 Infringement. If Borrowers become aware that any material item of the Trademark Collateral is materially infringed or materially misappropriated by any Person, Borrowers will promptly notify Agent and will, if necessary under the circumstances, promptly sue for infringement or misappropriation and for recovery of all damages caused by the infringement or misappropriation, and will take all other actions as Borrowers deem appropriate under the circumstances to protect the Trademark Collateral. Any expense incurred in connection with the foregoing activities will be borne by Borrowers.

5.8 Statutory Notice. Borrowers will continue to use, and will cause the use of, reasonable and proper statutory notice in connection with its use of each registered trademark or service mark.

6. TRANSFERS AND OTHER LIENS. Borrowers will not:

(i) sell, assign (by operation of law or otherwise), license or otherwise dispose of any of the Trademark Collateral, except (a) as expressly permitted by the Financing Agreement or (b) as expressly permitted by this Agreement;

(ii) create or suffer to exist any Liens on, or with respect to, any of the Trademark Collateral except as otherwise disclosed in Schedule I or as otherwise expressly permitted by the Financing Agreement; or

(iii) take any other action in connection with any of the material items of Trademark Collateral that could impair the value of the interests or rights of Borrowers or Agent in, to or under such Trademark Collateral.

7. POWER OF ATTORNEY. Each Borrower hereby irrevocably appoints Agent as its attorney-in-fact, with full authority in such Borrower's place, stead and on behalf of such Borrower and in such Borrower's name or otherwise, from time to time in Agent's sole and absolute discretion, to take any action and to execute any instrument that Agent may deem

necessary or advisable on and after the occurrence of an Event of Default and during the continuance thereof to accomplish the purposes of this Agreement including:

(i) to ask, demand, collect, sue for, recover, compromise, receive and give acquittance and receipts for moneys due and to become due under, or in respect of, any and all of the Trademark Collateral;

(ii) to receive, indorse, and collect any drafts or other instruments, documents and chattel paper, in connection with clause (i) of this Section 7; and

(iii) (a) to file any claims or take any action or institute any proceedings that Agent may deem necessary or desirable for the collection of any of the Trademark Collateral, (b) to assign of record in the United States Patent and Trademark Office (and each other applicable Governmental Authority) any and all of the Trademark Collateral in Agent's name (or the name of any nominee), or (c) otherwise to enforce the rights of Agent with respect to any of the Trademark Collateral.

8. AGENT MAY PERFORM.

8.1 Performance by Agent. If any Borrower fails to perform any of its obligations contained in this Agreement after notice from Agent, Agent (solely at its option without any obligation to do so) may itself perform, or cause performance of, such obligations, and the expenses of Agent incurred in connection therewith shall be payable under the Financing Agreement.

8.2 Agent May Bring Suit. On, and at any time after, the occurrence of an Event of Default and during the continuance thereof, Agent will have the right, but in no way will be obligated, to bring suit in its own name, for the benefit of the Secured Creditors, or in the name of Borrowers to enforce any part of the Trademark Collateral. Borrowers will at the reasonable request of Agent do any and all lawful acts and sign any and all proper documents required by Agent in aid of Agent's enforcement actions. On Agent's demand, Borrowers will promptly reimburse and indemnify Agent for all costs and expenses incurred by Agent in the exercise of its rights under this Section 8.

9. AGENT'S DUTIES. The powers and rights conferred on Bank under this Agreement are solely to protect the Secured Creditors' interests in the Trademark Collateral and will not impose any duty on Agent to exercise any of the powers or rights. Except for the reasonable care of any Trademark Collateral in its custody and possession and the accounting for moneys actually received by it under this Agreement, Agent will have no duty as to any Trademark Collateral or as to the taking of any necessary steps to preserve rights against other Persons or any other rights pertaining to any Trademark Collateral. Agent will be deemed to have exercised reasonable care of the Trademark Collateral in its custody and possession if the Trademark Collateral is accorded treatment substantially equal to that which Agent accords its own property.

10. REMEDIES. If any Event of Default occurs and is continuing:

(i) Agent may exercise in respect of the Trademark Collateral, in addition to other rights and remedies provided for in this Agreement or otherwise available to Agent, all the

rights and remedies of a secured party on default under the UCC (whether or not the UCC applies to the affected Trademark Collateral) and also may do any one or more of the following at Agent's option: (a) cause the assignment of record in the United States Patent and Trademark Office (and each other applicable Governmental Authority) of the Trademark Collateral in Agent's name or in the name of any nominee of Agent; (b) exercise any and all rights and remedies of Borrowers under or otherwise in respect of the Trademark Collateral; (c) require Borrowers to, and Borrowers at their expense will, immediately on Agent's request assemble all or any part of the documents embodying the Trademark Collateral as directed by Agent and make the documents available to Agent at a place to be designated by Agent which is reasonably convenient to both Agent and Borrowers; (d) license the Trademark Collateral or any part thereof, or assign its rights to the Trademark License Rights to any Person and exercise any and all rights and remedies of Borrowers under or in connection with the Trademark Licenses or otherwise in respect of the Trademark Collateral; and (e) with 10 days advance notice (unless no notice is required under applicable law), sell the Trademark Collateral or any part thereof in one or more parcels at public or private sale, at any of Agent's offices or elsewhere, for cash, on credit or for future delivery, and upon such other terms as Agent may deem commercially reasonable. In the event of any sale, assignment, or other disposition of any of the Trademark Collateral, (1) the goodwill of the business connected with and symbolized by any Trademark Collateral subject to such disposition shall be included, and (2) Borrowers will supply to Agent or its designee Borrowers' (A) know-how and expertise relating to the manufacture and sale of products or the provision of services relating to any Trademark Collateral subject to such disposition and (B) customer lists and other records relating to such Trademark Collateral and to the distribution of such products and services. Borrowers agree that, to the extent notice of sale shall be required by law, at least 10 days' notice to Borrowers of the time and place of any public sale or the time after which any private sale is to be made shall constitute reasonable notification. Agent shall not be obligated to make any sale of any Trademark Collateral regardless of notice of sale having been given. Agent may adjourn any public or private sale from time to time by announcement at the time and place fixed therefor, and such sale may, without further notice, be made at the time and place to which it was so adjourned.

(ii) All payments received by Borrowers under or in connection with any of the Trademark Collateral will be received in trust for the benefit of Agent, will be segregated from other funds of Borrowers and will be immediately paid over to Agent in the same form as so received (with any necessary indorsements) in accordance with the Financing Agreement.

(iii) All payments made under, in connection with or otherwise in respect of, the Trademark Collateral and all cash proceeds received by Agent in respect of any sale of, collection from, or other realization on all or any part of the Trademark Collateral may, in the discretion of Agent, be held by Agent as collateral for, and then or at any time thereafter applied (after payment of any costs or expenses payable to Agent or any Secured Creditor pursuant to the Financing Agreement) in whole or in part by Agent against, all or any part of the Obligations, in any order as Agent may elect in accordance with the terms of the Financing Agreement. Any surplus of any cash or cash proceeds held by Agent and remaining after the indefeasible payment and performance in full of all Obligations will be paid over to Borrowers or to whomsoever may be lawfully entitled to receive the surplus, if any.

11. NOTICE. Any notice, certificate, request, notification and other communication required, permitted or contemplated hereunder must be in writing and given in accordance with the Financing Agreement.

12. GENERAL.

12.1 Severability. If any term of this Agreement is found invalid under California law or other laws of mandatory application by a court of competent jurisdiction, the invalid term will be considered excluded from this Agreement and will not invalidate the remaining terms of this Agreement.

12.2 GOVERNING LAW. THIS AGREEMENT HAS BEEN DELIVERED AND ACCEPTED AT AND SHALL BE DEEMED TO HAVE BEEN MADE AT LOS ANGELES, CALIFORNIA. THIS AGREEMENT SHALL BE DEEMED TO BE A CONTRACT MADE UNDER AND GOVERNED BY THE INTERNAL LAWS OF THE STATE OF CALIFORNIA (WITHOUT REGARD TO CALIFORNIA CONFLICTS OF LAW PRINCIPLES); PROVIDED THAT AGENT, FOR THE BENEFIT OF THE SECURED CREDITORS, SHALL RETAIN ALL RIGHTS ARISING UNDER FEDERAL LAW.

12.3 WAIVER OF JURISDICTION. AS A SPECIFICALLY BARGAINED INDUCEMENT FOR AGENT TO ENTER INTO THIS AGREEMENT AND FOR THE SECURED CREDITORS TO EXTEND CREDIT TO BORROWERS, THE BORROWERS AND SECURED CREDITORS AGREE THAT ANY ACTION, SUIT OR PROCEEDING IN RESPECT OF OR ARISING OUT OF THIS AGREEMENT, ITS VALIDITY OR PERFORMANCE, AND WITHOUT LIMITATION ON THE ABILITY OF THE SECURED CREDITORS, THEIR SUCCESSORS AND ASSIGNS, TO EXERCISE ALL RIGHTS AS TO THE TRADEMARK COLLATERAL AND INITIATE AND PROSECUTE IN ANY APPLICABLE JURISDICTION ACTIONS RELATED TO REPAYMENT OF THE OBLIGATIONS, SHALL BE INITIATED AND PROSECUTED AS TO ALL PARTIES AND THEIR SUCCESSORS AND ASSIGNS AT LOS ANGELES, CALIFORNIA. THE SECURED CREDITORS AND BORROWERS CONSENT TO AND SUBMIT TO THE EXERCISE OF JURISDICTION OVER THEIR PERSONS BY ANY COURT SITUATED IN THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA HAVING JURISDICTION OVER THE SUBJECT MATTER, AND CONSENT THAT ALL SERVICE OF PROCESS BE MADE BY CERTIFIED MAIL DIRECTED TO BORROWERS AND AGENT AT THEIR RESPECTIVE ADDRESSES SET FORTH IN THE FINANCING AGREEMENT OR AS OTHERWISE PROVIDED UNDER THE LAWS OF THE STATE OF CALIFORNIA. BORROWERS WAIVE ANY OBJECTION BASED ON FORUM NON CONVENIENS, AND ANY OBJECTION TO VENUE OF ANY ACTION INSTITUTED HEREUNDER, AND CONSENT TO THE GRANTING OF SUCH LEGAL OR EQUITABLE RELIEF AS IS DEEMED APPROPRIATE BY THE COURT.

12.4 Survival and Continuation of Representations and Warranties. All of Borrowers' representations and warranties contained in this Agreement shall (i) survive the execution, delivery and acceptance hereof by the parties hereto and the closing of the transactions described herein or related hereto, and (ii) remain true until the Obligations are fully performed, paid and satisfied, made by Borrowers with the same effect as though the representations and warranties

had been made again on, and as of, each day of the term of this Agreement, subject to such changes as may not be prohibited hereby, do not constitute Events of Default, and have been consented to by Agent (with the consent of the Lenders if necessary pursuant to the terms of the Financing Agreement) in writing.

12.5 Bank's Additional Rights Regarding Collateral. All of the Obligations shall constitute one obligation secured by all of the Trademark Collateral. In addition to Agent's other rights and remedies under the Loan Documents, Agent may (subject to the terms of the Financing Agreement), in its discretion exercised in good faith, following the occurrence and during the continuance of any Event of Default: (i) exchange, enforce, waive or release any of the Trademark Collateral or portion thereof, (ii) apply the proceeds of the Trademark Collateral against the Obligations and direct the order or manner of the liquidation thereof (including any sale or other disposition), as Agent may, from time to time, in each instance determine, and (iii) settle, compromise, collect or otherwise liquidate any such security in any manner without affecting or impairing its or any Secured Creditors' right to take any other further action with respect to any security or any part thereof.

12.6 Application of Payments; Revival of Obligations. Agent shall have the continuing right to apply or reverse and reapply any payments to any portion of the Obligations. To the extent Borrowers make a payment or payments to Agent or any Secured Creditor or Agent or any Secured Creditor receives any payment or proceeds of the Trademark Collateral or any other security for Borrowers' benefit, which payment(s) or proceeds or any part thereof are subsequently voided, invalidated, declared to be fraudulent or preferential, set aside or required to be repaid to a trustee, receiver or any other party under any bankruptcy act, state or federal law, common law or equitable cause, then, to the extent of such payment(s) or proceeds received, the Obligations or part thereof intended to be satisfied shall be revived and shall continue in full force and effect, as if such payment(s) or proceeds had not been received by Agent or such Secured Creditor.

12.7 Additional Waivers by Borrowers. Borrowers waive presentment and protest of any instrument and notice thereof, and, except as expressly provided in the Loan Documents, demand, notice of default and all other notices to which Borrowers might otherwise be entitled. Borrowers shall also assert no claim against any Secured Creditor on any theory of liability for consequential, special, indirect or punitive damages.

12.8 Equitable Relief. Each Borrower recognizes that, in the event any Borrower fails to perform, observe or discharge any of its obligations or liabilities under this Agreement, any remedy of law may prove to be inadequate relief to Agent; therefore, each Borrower agrees that Agent, if Agent so requests, shall be entitled to temporary and permanent injunctive relief in any such case without the necessity of proving actual damages.

12.9 Entire Agreement; Counterparts; Fax Signatures. This Agreement and the other Loan Documents set forth the entire agreement of the parties with respect to the subject matter of this Agreement and supersede all previous understandings, written or oral, in respect thereof. Any request from time to time by Borrowers for Agent's consent under or to amend, modify or waive any provision in the Loan Documents must be in writing. The terms of this agreement may be amended, waived or modified and any consent to be provided under the Loan Documents

from time to time must be pursuant to an instrument in writing duly executed by the Borrowers and Agent (with the consent of the Lenders as specified in Section 14.1 of the Financing Agreement). Any such consent, amendment, modification or waiver shall be binding upon the Secured Creditors, each holder of Obligations and each Borrower; *however*, the Secured Creditors acting through the Agent will have no obligation to provide any consent, amendment, modification or waiver requested by Borrowers, and the Secured Creditors acting through the Agent may, for any reason in their discretion exercised in good faith, elect to withhold the requested consent, amendment, modification or waiver. Two or more duplicate originals of this Agreement may be signed by the parties, each of which shall be an original but all of which together shall constitute one and the same instrument. Any documents delivered by, or on behalf of, Borrowers by fax transmission (i) may be relied on by Agent as if the document were a manually signed original and (ii) will be binding on Borrowers for all purposes of the Loan Documents.

12.10 Headings. Section headings in this Agreement are included for convenience of reference only and shall not relate to the interpretation or construction of this Agreement.

12.11 Cumulative Remedies. The remedies provided in this Agreement and the other Loan Documents are cumulative and not exclusive of any remedies provided by law. Exercise of one or more remedy(ies) by Agent or any Secured Creditor does not require that all or any other remedy(ies) be exercised and does not preclude later exercise of the same remedy. If there is any conflict, ambiguity, or inconsistency, in Agent's judgment, between the terms of this Agreement or any of the other Loan Documents, then the applicable terms and provisions, in Agent's judgment, providing Agent with greater rights, remedies, powers, privileges, or benefits will control. Without limiting the generality of the foregoing, the description of the Trademark Collateral in this Agreement does not in any way limit the description of, or Agent's Lien on, the "Collateral" as defined in the Security Agreement, or Agent's remedies respecting the "Collateral."

12.12 Waivers and Amendments in Writing. Failure by any Agent or any Secured Creditor to exercise any right, remedy or option under this Agreement or in any Loan Documents or delay by Agent or any Secured Creditor in exercising the same shall not operate as a waiver by Agent or any Secured Creditor of its right to exercise any such right, remedy or option. No waiver by Agent (with the consent of the Lenders as specified in Section 14.1 of the Financing Agreement) shall be effective unless it is in writing and then only to the extent specifically stated. This Agreement cannot be amended, modified, changed or terminated orally.

12.13 Recourse to Directors or Officers. The obligations of the Secured Creditors under this Agreement are solely the corporate obligations of the Secured Creditors. No recourse shall be had for the payment of any amount owing in respect to this Agreement or for the payment of any fee hereunder or for any other obligation or claim arising out of or based upon this Agreement against any stockholder, employee, officer, or director of any Secured Creditor.

12.14 Assignment. Agent shall have the right to assign this Agreement and the other Loan Documents. Borrowers may not assign, transfer or otherwise dispose of any of their rights or obligations hereunder, by operation of law or otherwise, and any such assignment, transfer or other disposition without Agent's written consent (which may only be given with the consent of

the Lenders and LC Issuer as specified in Section 14.2 of the Financing Agreement) shall be void. All of the rights, privileges, remedies and options given to any Secured Creditor under the Loan Documents shall inure to the benefit of the applicable Secured Creditor's successors and assigns, and all the terms, conditions, covenants, provisions and warranties in this Agreement shall inure to the benefit of and bind the permitted successors and assigns of Borrowers and each Secured Creditor, respectively.

12.15 Continuing Rights. This Agreement creates a continuing Lien on the Trademark Collateral and will (i) remain in full force and effect until the full and final payment of all the Obligations and no Commitment of any Lender exists, (ii) be binding on Borrowers, their successors and assigns, and (iii) inure, together with the rights and remedies of Agent under this Agreement, to the benefit of Agent, for the benefit of the Secured Creditors, and Agent's successors, transferees and assigns.

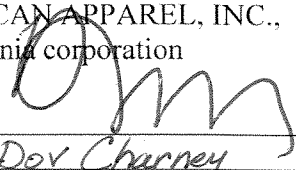
12.16 Term; Trademark Collateral Reversion. Subject to Section 12.6, this Agreement will terminate on the later to occur of (i) the full, indefeasible performance, payment and satisfaction of the Obligations and no Commitment of any Lender exists and (ii) the termination of the Financing Agreement, at which time the Lien granted by this Agreement will terminate and all rights to the Trademark Collateral will revert to Borrowers (without representation, warranty or recourse). On any such termination, Agent will, at Borrowers' expense, sign and deliver to Borrowers such documents as Borrowers reasonably requests to evidence such termination (without representation, warranty or recourse).

12.17 Conflict. If there is any conflict, ambiguity, or inconsistency, in Agent's judgment, between the terms of this Agreement and any of the other Loan Documents, then the applicable terms and provisions, in Agent's judgment, providing Agent with greater rights, remedies, powers, privileges, or benefits will control. Without limiting the generality of the foregoing, the description of the Trademark Collateral in this Agreement does not in any way limit the description of, or Agent's Lien on, the "Collateral" as defined in the Security Agreement, or Agent's remedies respecting the "Collateral."

12.18 WAIVER OF JURY TRIAL. AS A SPECIFICALLY BARGAINED INDUCEMENT FOR AGENT TO ENTER INTO THIS AGREEMENT AND FOR THE SECURED CREDITORS TO EXTEND CREDIT TO BORROWERS, THE BORROWERS AND SECURED CREDITORS WAIVE TRIAL BY JURY WITH RESPECT TO ANY ACTION, CLAIM, SUIT OR PROCEEDING IN RESPECT OF OR ARISING OUT OF THIS AGREEMENT OR THE CONDUCT OF THE RELATIONSHIP BETWEEN THE SECURED CREDITORS AND BORROWERS.

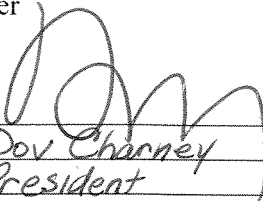
IN WITNESS WHEREOF, this Agreement has been duly executed by each Borrower as of October 31, 2005.

AMERICAN APPAREL, INC.,
a California corporation

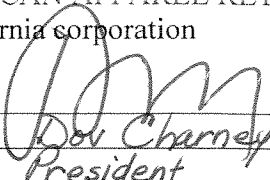
By: 
Name: Dov Charney
Title: President

KCL KNITTING, LLC,
a California limited liability company

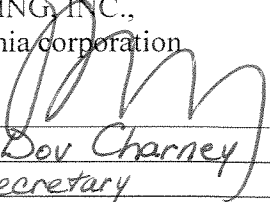
By: AMERICAN APPAREL, INC.,
its member

By: 
Name: Dov Charney
Title: President

AMERICAN APPAREL RETAIL, INC.,
a California corporation

By: 
Name: Dov Charney
Title: President

AMERICAN APPAREL DYEING &
FINISHING INC.,
a California corporation

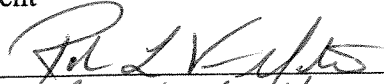
By: 
Name: Dov Charney
Title: Secretary

TRADEMARK SECURITY AGREEMENT

TRADEMARK
REEL: 003228 FRAME: 0986

Accepted as of October ³¹ 8, 2005

U.S. BANK NATIONAL ASSOCIATION,
as Agent

By: 
Name: ROBIN L. VAN METER
Title: Vice President

TRADEMARK SECURITY AGREEMENT

TRADEMARK
REEL: 003228 FRAME: 0987

STATE OF NEW YORK,

COUNTY OF NEW YORK, SS:

The foregoing instrument was acknowledged before me this 2nd day of November, 2005, by [Dov Charney], _____ of and on behalf of [American Apparel, Inc], a(n) California corporation.

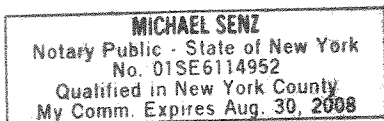


Michael Senz
Notary Public
Michael Senz

STATE OF NEW YORK,

COUNTY OF NEW YORK, SS:

The foregoing instrument was acknowledged before me this 2nd day of November, 2005, by [Dov Charney], _____ of and on behalf of [KCL Knitting LLC], a(n) California LLC corporation.



Michael Senz
Notary Public
Michael Senz

TRADEMARK SECURITY AGREEMENT

TRADEMARK
REEL: 003228 FRAME: 0988

STATE OF NEW YORK,

COUNTY OF NEW YORK, SS:

The foregoing instrument was acknowledged before me this 2nd day of November, 2005, by [Dov Charney], _____ of and on behalf of [American Apparel], a(n) California corporation.
Retailing Inc.

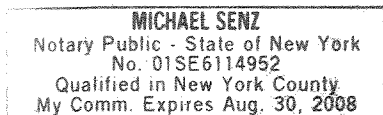


Michael Senz
Notary Public
Michael Senz

STATE OF NEW YORK,

COUNTY OF NEW YORK, SS:

The foregoing instrument was acknowledged before me this 2nd day of November, 2005, by [Dov Charney], _____ of and on behalf of [American Apparel], a(n) California corporation.
Dyeing + Finishing Inc



Michael Senz
Notary Public
Michael Senz

TRADEMARK SECURITY AGREEMENT

TRADEMARK
REEL: 003228 FRAME: 0989

SCHEDULE I

SCHEDULE I (Trademark Security Agreement)

INTELLECTUAL PROPERTY (As of 10/25/05)

DOMESTIC TRADEMARKS

Trademark	Registration Number	Issue Date
AMERICAN APPAREL	2,954,280	May 24, 2005
SUSTAINABLE EDITION	2,984,703	August 16, 2005
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	76/624,846	December 16, 2004
AMERICAN APPAREL	76/624,848	December 16, 2005
AA Logo	76/624,847	December 16, 2006
CLASSICBABY	76/624,845	December 16, 2007
CLASSICGIRL & DESIGN	76/626,262	December 30, 2004
STANDARD AMERICAN	76/624,844	December 16, 2004
SUSTAINABLE EDITION	76/585,766	April 8, 2004
SUSTAINABLE EDITION	76/626,261	December 30, 2004

FOREIGN TRADEMARKS

Trademark	Country/Registration Number	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
STANDARD AMERICAN & Design	Korea 619736	May 31, 2005
aa Design	PR China 3232543	January 14, 2004
CLASSIC BABY & Design	PR China 3232541	January 14, 2004
STANDARD AMERICAN & Design	S.Korea 619736	May 31, 2005
STANDARD AMERICAN & Design	UK 2769586	April 22, 2003
GIRLY T	UK 27693768	July 30, 2002
AMERICAN APPAREL AA LOGO	Germany 30414655	May 24, 2004
AMERICANAPPAREL.NET	Germany 3094927	July 3, 2003

FOREIGN TRADEMARK APPLICATIONS

Trademark	Country/Application Number	Filing Date
AMERICAN APPAREL	Brazil 16050000511	August 23, 2005
AMERICAN APPAREL	Brazil 16050000512	August 23, 2005
AMERICAN APPAREL	Brazil 16050000513	August 23, 2005
CLASSIC BABY	Brazil 16050000509	August 23, 2005
CLASSIC GIRL	Brazil 16050000504	August 23, 2005
STANDARD AMERICAN	Brazil 16050000503	August 23, 2005
STANDARD AMERICAN	Brazil 16050000499	August 23, 2005
Standard American Design	Brazil 16050000510	August 23, 2005
SUSTAINABLE EDITION	Brazil 16050000502	August 23, 2005
SUSTAINABLE EDITION	Brazil 16050000506	August 23, 2005
Sustainable Edition Design	Brazil 16050000508	August 23, 2005
AMERICAN APPAREL	Canada 1206889	February 19, 2004
AMERICAN APPAREL AA	Canada 1258928	May 19, 2005
CLASSIC BABY	Canada 1258929	May 19, 2005
Baby Design	Canada 1258933	May 19, 2005
CLASSIC GIRL	Canada 1258935	May 19, 2005
Circle Design	Canada 1258932	May 19, 2005
STANDARD AMERICAN	Canada 1258936	May 19, 2005
Square Design	Canada 1258931	May 19, 2005
SUSTAINABLE EDITION	Canada 1258937	May 19, 2005
Flower Design	Canada 1258930	May 19, 2005
AMERICAN APPAREL AA	Japan 57753/2005	July 00, 2005
Circle Design	Philippines 04/2005/005929	June 27, 2005
Square Design	Philippines 04/2005/005930	June 27, 2005
Flower Design	Philippines 04/2005/005931	June 27, 2005
AMERICAN APPAREL	Philippines 04/2005/005933	June 27, 2005
CLASSIC BABY	Philippines 04/2005/005935	June 27, 2005
CLASSIC GIRL	Philippines 04/2005/005930	June 27, 2005
STANDARD AMERICAN	Philippines 04/2005/005934	June 27, 2005
SUSTAINABLE EDITION	Philippines 04/2005/005932	June 27, 2005
AMERICAN APPAREL AA	Taiwan 91-027701	June 27, 2002
AMERICAN APPAREL	Taiwan 94-030865	June 28, 2005
CLASSIC BABY	Taiwan 94-030867	June 28, 2005
CLASSIC GIRL	Taiwan 94-030868	June 28, 2005
Circle Design	Taiwan 94-030862	June 28, 2005
STANDARD AMERICAN	Taiwan 94-030856	June 28, 2005
Square Design	Taiwan 94-030861	June 28, 2005
SUSTAINABLE EDITION	Taiwan 94-030859	June 28, 2005

Flower Design	Taiwan 94-030864	June 28, 2005
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
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 aa Logo	Germany 3983434	2004
AMERICAN APPAREL AA Logo	CTM 3935335	2004
AMERICAN APPAREL AA Logo	Madrid Protocol	2004
AMERICAN APPAREL	Madrid 305198501	June 23, 2005
CLASSICGIRL	Korea	February 1, 2005
STANDARD AMERICAN	Korea	February 1, 2005
SUSTAINABLE EDITION	Korea	February 1, 2005
CLASSICGIRL	UK 4276135	February 1, 2005
AMERICAN APPAREL	Mexico	July 00, 2005
CLASSIC BABY	Mexico	July 00, 2005
CLASSIC GIRL	Mexico	July 00, 2005
Circle Design	Mexico	July 00, 2005
STANDARD AMERICAN	Mexico	July 00, 2005
Square Design	Mexico	July 00, 2005
SUSTAINABLE EDITION	Mexico	July 00, 2005
Flower Design	Mexico	July 00, 2005

DOMESTIC COPYRIGHTS

Copyrights	Country/Application Number	Filing Date
Website, Text & Photos	U.S. TX 6-219-296	August 22, 2005
Catalog XIII 2005	U.S. TX 6-219-297	August 22, 2005
Hang Tag	U.S. Pending	August 22, 2005

LICENSES

Outbound

**All American Apparel trademark licensed to
Roochi Traders

The above listed trademarks may be subject to oral licenses among
Borrowers and their Affiliates

Inbound

Software user licenses