

**American Apparel
Deutschland GmbH**

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General Supply Contract

between

American Apparel Deutschland GmbH

Carlsplatz 24
40213 Düsseldorf

(hereinafter referred to as "**American Apparel Deutschland**")

and

Company Address:

(hereinafter referred to as "**the buyer**")

(American Apparel Deutschland and the buyer are also described below individually as the
"**party**" and jointly as the "**parties**")

Preamble

American Apparel Deutschland has been active in the German market since 2003 and has been operating its own retail stores in Germany since 2004. American Apparel Deutschland is part of the American Apparel Group, which operates more than 285 retail stores in 20 countries worldwide.

The buyer operates as a wholesaler and distributes clothing to retailers and retail chains. He is interested in purchasing clothing from American Apparel Deutschland under the “American Apparel” brand for the purpose of selling it on to his customers. The selling on of products supplied by American Apparel thereby takes place either without any changes being made or following processing (washing, bleaching, printing, embroidering or the like).

American Apparel Deutschland is prepared, in principle, to supply the buyer with clothing under the “American Apparel” brand on the basis of individual purchase agreements. Having said this in advance, the parties now agree the following:

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1. Subject Matter of Contract

- 1.1 American Apparel Deutschland and the buyer hereby conclude a general supply contract (“**framework agreement**”) concerning those products described in more detail in **Appendix 1.1** (“**contractual products**”).
- 1.2 The individual purchase agreements (“single purchase agreements”) are subject, in each case, to the general sales, supply and payment conditions (“**General Terms and Conditions**”) of American Apparel Deutschland that are in force at the time of the conclusion of the relevant single purchase agreement; the present up-to-date version is attached to the present framework agreement as **Appendix 1.2**. In the event of conflicts between the regulations of the present framework agreement and the General Terms and Conditions, the regulations of the present framework agreement take priority. Any general terms and conditions of purchase of the buyer do not apply.

2. Ordering, Supply and Acceptance

- 2.1 The buyer can submit orders to American Apparel Deutschland in writing or in text form. The acceptance of orders by American Apparel Deutschland occurs either expressly through confirmation of the order or through delivery of the contractual products ordered to the buyer.

- 2.2 The buyer is bound to his orders for period of [60] days, unless he cancels them beforehand in the form of a text to American Apparel Deutschland.
- 2.3 American Apparel Deutschland can make partial deliveries for a good reason, provided that this is reasonable for the buyer.
- 2.4 If the buyer does not accept goods that have been supplied, falls behind in acceptance for other reasons or delivery is delayed for other reasons for which the buyer is answerable, then American Apparel Deutschland is entitled to demand compensation for the loss resulting from this. For this it charges a flat-rate compensation payment of 20% euros per calendar day from the original delivery date for each failed attempt at delivery. The submission of proof of a greater loss and the statutory claims of American Apparel Deutschland remain unaffected. The buyer is allowed to submit evidence that no loss at all has arisen for American Apparel Deutschland or only a loss that is significantly smaller than the flat-rate payment.

3. Prices and Terms of Payment

- 3.1 In the case of the individual purchase agreements the current prices according to the price list of American Apparel Deutschland at the time that the contract is concluded apply in each case. The present up-to-date price list is attached to the present framework agreement as **Appendix 3.1**.
- 3.2 If the delivery value amounts to more than 500 euros, American Apparel Deutschland is entitled to demand a payment on account of 70 % of the purchase price. The payment on account falls due upon the conclusion of the agreement.
- 3.3 Unless otherwise agreed in each case, all prices are net prices plus the relevant sales tax at the statutory rate. If, at the request of the buyer, goods are dispatched to another location, dispatch is carried out at the risk and cost of the buyer at all times.
- 3.4 American Apparel Deutschland is entitled to issue part-invoices in the case of partial deliveries as defined by Clause 2.3.
- 3.5 The first two orders of the buyer are only executed against payment in advance. For the further orders - subject to a corresponding credit rating of the buyer, approval by the commercial credit insurer of American Apparel Deutschland and, unless otherwise agreed in each case - the rule is that payments must be made by the buyer within 21 days of receipt of the invoice without any discount. If this period expires without any result, arrears begin, without any reminder being required.

- 3.6 If the buyer falls behind with payments, then American Apparel Deutschland is entitled to demand default interest of eight (8) percentage points above the base rate as defined by § 247 of the German Civil Code. The assertion of a further claim for damages due to default remains unaffected. Alternatively, American Apparel Deutschland is entitled to demand from the buyer, in the event his being in arrears with payments, a flat-rate compensatory payment of 3% of the overdue invoice amount as lump-sum compensation by way of minimum damages. The submission of evidence of a greater loss and those statutory claims of American Apparel Deutschland that go beyond the lump-sum compensation remain unaffected. The buyer is allowed to submit evidence that no loss at all has arisen for American Apparel Deutschland or only a loss that is significantly smaller than the lump-sum claim.
- 3.7 American Apparel Deutschland has a right of retention in relation to those contractual products that are to be supplied by it, if and to the extent that the buyer finds himself in arrears with the payment of claims that are due. If the buyer falls behind with payments, American Apparel Deutschland is, moreover, entitled to demand payment in advance or other appropriate securities. § 321 of the German Civil Code remains unaffected.
- 3.8 The buyer is only entitled to offset or assert a right of retention, if and to the extent that his counterclaim has been established as being uncontested, ready for a decision or legally valid. The assertion of a right of retention on the part of the buyer requires, in addition, that his counterclaim is based on the same agreement.
- 4. Retention of Title**
- 4.1 The contractual products remain the property of American Apparel Deutschland until all the claims of American Apparel Deutschland resulting from the business relationship with the buyer have been paid in full.
- 4.2 In the case of an open account, the reservation of title applies as a security for the balance claim to which American Apparel Deutschland is entitled.
- 4.3 The buyer is only allowed to dispose of contractual products that are subject to the retention of title (“**products subject to retention of title**”) within the context of proper business dealings. The buyer is not entitled to pledge goods that are subject to retention of title, to assign them as security or to make other dispositions that jeopardize the property of American Apparel Deutschland. The buyer even now assigns the claim resulting from the resale to American Apparel Deutschland; American Apparel

Deutschland accepts this cession even now. If the buyer sells the products that are subject to retention of title along with other goods, then the transfer of claims is only regarded as being agreed to the value of that part which is equivalent to the price agreed between American Apparel Deutschland and the buyer plus a safety margin of 10 % of this price. The buyer is authorized, until this power is revoked, to call in those claims which have been ceded to American Apparel Deutschland in his own name, acting as trustee for American Apparel Deutschland. American Apparel Deutschland can revoke this authorization and also the entitlement to resell, if the buyer is in default with important obligations towards American Apparel Deutschland such as payment; in the event of revocation American Apparel Deutschland is entitled to call in the claim itself.

- 4.4 The buyer will give American Apparel Deutschland all the information that it wishes, at any time, with regard to those products that are subject to retention of title or claims that have hereafter been transferred to American Apparel Deutschland. The buyer must report seizures or claims by third parties on products that are subject to retention of title to American Apparel Deutschland immediately, handing over the necessary documentation. At the same time, the buyer will point out the retention of title by American Apparel Deutschland to the third party. The costs of fending off such seizures and claims are borne by the buyer.
- 4.5 The buyer is obliged to handle those products that are subject to retention of title with care for the duration of the retention of title.
- 4.6 If the realizable value of the securities exceeds the total claims of American Apparel Deutschland to be secured by more than 10 %, then the buyer is entitled, to that extent, to demand release.
- 4.7 If the buyer falls into arrears with important obligations to American Apparel Deutschland such as payment and American Apparel Deutschland withdraws from the single purchase agreement concerned, then American Apparel Deutschland, regardless of other rights, can reclaim those products that are subject to retention of title and make use of them in another way for the purpose of satisfying claims due against the buyer. In this case, the buyer will grant American Apparel Deutschland or the representative of American Apparel Deutschland access to the products that are subject to retention of title immediately and surrender these.
- 4.8 At the request of American Apparel Deutschland the buyer is obliged to appropriately insure those products that are subject to retention of title, provide American Apparel

Deutschland with proof of the relevant insurance and transfer the claims resulting from the contract of insurance to American Apparel Deutschland.

5. Condition, Rights of the Buyer in the event of Defects, Duty of Inspection

- 5.1 The contractual products exhibit the agreed condition upon the transfer of risk; this is determined solely in accordance with the actual agreements reached between the parties in writing concerning the properties and features of the contractual products. Minor deviations in structure and colour compared to the agreed condition are, however, reserved, insofar as these lie in the nature of the materials used and are usual in the trade.
- 5.2 Information in catalogues, price lists and other information material handed over to the buyer by American Apparel Deutschland as well as information describing products must not, under any circumstances, be taken as guarantees for a particular condition of the contractual products; such guarantees require to be agreed expressly in writing in order for them to become effective.
- 5.3 American Apparel Deutschland reserves the right to make slight changes to the contractual products, in particular with regard to the material used for them and/or their design, provided that the agreed condition is not changed as a result. Furthermore, American Apparel Deutschland may change and modify the contractual products, if such changes are necessary for legal or technical reasons. American Apparel Deutschland will inform the buyer of such changes as early as possible.
- 5.4 The rights of the buyer due to any defects in the contractual products require him to check the contractual products following delivery and to inform American Apparel Deutschland immediately in writing of defects, however at the latest seven (7) following delivery; American Apparel Deutschland must be informed of hidden defects immediately following their discovery.
- 5.5 American Apparel Deutschland has the right in the case of every notice of defect to inspect and test the contractual product that is the subject of complaint. The buyer will grant American Apparel Deutschland the necessary time and opportunity for this. American Apparel Deutschland can also demand that the buyer return the contractual product that is the subject of complaint to American Apparel Deutschland at the expense of American Apparel Deutschland. If a notice of defect on the part of the buyer proves to be unjustified, and the buyer has recognized this prior to raising the notice of defect or has not recognized it due to negligence, then he is obliged to

reimburse American Apparel Deutschland for all expenses and costs arising in this connection.

- 5.6 American Apparel Deutschland will, as it so chooses, eliminate defects by delivering a replacement at no cost to the buyer. The buyer will grant American Apparel Deutschland the necessary time and opportunity to deliver a replacement.
- 5.7 If the replacement fails, if it is unreasonable for the buyer or American Apparel Deutschland has refused it in accordance with § 439 Para. 3 of the German Civil Code, then the buyer can, as he so chooses, in accordance with the statutory regulations, withdraw from the single purchase agreement or reduce the purchase price and/or demand compensation in accordance with Clause 7 or the reimbursement of the expenses that he has incurred in vain.
- 5.8 The term of limitation in relation to the rights of the buyer due to defects is twelve (12) months starting with the delivery of the contractual product in question to the buyer? The term of limitation provisions of § 479 of the German Civil Code remain unaffected. In the case of claims for compensation on the part of the buyer for reasons other than defects concerning the contractual product as well as with regard to the rights of the buyer in the case of defects that have been fraudulently concealed or willfully caused the statutory terms of limitation are adhered to.

6. Limitation of Liability, Compensation

- 6.1 The liability of American Apparel Deutschland to pay compensation due to simple negligence, for any legal reason whatsoever, is limited as follows:
- (i) American Apparel Deutschland is liable for the breaching of important obligations resulting from the debt obligation according to the level, limited to typical contractual and foreseeable losses.
 - (ii) Apart from that, American Apparel Deutschland is not liable for simple negligence.
- 6.2 The limits on liability quoted above in Clause 7.1 do not apply in instances of mandatory, statutory liability (in particular in accordance with the Product Liability Act) as well as in the case of culpable injuries caused to life, body or health. In addition, it does not apply, if and to the extent that American Apparel Deutschland has assumed a guarantee.

6.3 Clauses 7.1 and 7.2 apply correspondingly in relation to the liability of American Apparel Deutschland for expenses that have been incurred in vain.

6.4 The buyer is obliged to take appropriate measures to protect against damage and reduce damage.

7. **Product Liability**

If the buyer sells a contractual product, then he releases American Apparel Deutschland, within their internal relationship, from product liability claims of third parties, if and to the extent that he is responsible for the defect triggering liability, even within the internal relationship of the parties, or would be liable himself within his external relationship.

8. **Confidentiality**

8.1 If one of the parties receives, through the other party, information and documents such as plans, samples, drawings, in particular, and any other named documents whatsoever (jointly referred to as “**confidential information**”), whether it be in oral, written, electronic or any other form, for the purpose of the execution of the present framework agreement, the other party is obliged to treat these as confidential. The employees of the party in question are correspondingly obliged to maintain secrecy, even beyond the end of the business relationship.

8.2 The above obligations do not apply to such information that

- (i) becomes public knowledge or has become public knowledge without any breach of obligations by the other party;
- (ii) the other party lawfully receives or has received from a third party which is known to the party receiving the information independently of the other party and is already known at the time of the conclusion of the present framework agreement;
- (iii) has already been developed by the other party itself without the use of confidential information; or (iv) by rights or by virtue of a judicial or official order must be disclosed. Such an obligation must be reported to the other party immediately in writing.

9. Force Majeure

Unforeseeable events such as acts of God, industrial disputes, war, unrest, natural disasters, official orders and other events that are out with the sphere of influence of one party and unavoidable and serious events for which it is not answerable (“**force majeure**”) release the parties from their performance obligations for the duration of the disruption and to the extent of its effect. This also applies if the events occur at a time when the party concerned finds itself in default. The parties are obliged to give each other the necessary information immediately and, within the bounds of what is reasonable, to match their obligations, in good faith, to the changed circumstances. If adjustment of the present framework agreement is not possible or not reasonable for one party, then the disadvantaged party can cancel the present framework agreement, however at the earliest six (6) weeks following the occurrence of the event.

10. Term and Cancellation

10.1 The present framework agreement comes into force upon being signed by the parties (“**start of agreement**“) and has a term of one (1) years. It is automatically extended by one (1) year in each case, unless one of the parties cancels it beforehand in writing, giving a period of notice of three (3) months to the date of the (relevant) expiry of the agreement.

10.2 Each party has the right to cancel the present framework agreement without notice for a significant reason. Instances that are regarded as a significant reason are where

- (i) the other party culpably breaches its obligations resulting from the present framework agreement in significant respects, e.g. stops its payments, and does not restore the proper contractual situation upon being requested to do so in writing within two (2) weeks, or
- (ii) proceedings are instituted over the assets of the other party for the settlement of its debts (in particular, insolvency) or an application is lodged with regard to this and the party concerned, despite being appropriately requested to do so, does not produce evidence of the evident groundlessness of the application within a reasonable period.

10.3 Every cancellation requires the written form in order for it to become effective.

11. Final Provisions

- 11.1 The present framework agreement, including the attached appendices, contains all the agreements of the parties with regard to the subject matter of the contract. The present framework agreement replaces and rescinds all earlier agreements of the parties that there may be with regard to the subject matter of the contract.
- 11.2 Amendments and additions to the present framework agreement require the written form in order for them to become effective. The same applies to the amendment or abolition of the present clause requiring the written form.
- 11.3 If individual or several provisions of the present framework agreement, wholly or in part, are void or ineffective, then the effectiveness of the remaining provisions remains unaffected by this.
- 11.4 The sole place of jurisdiction for all disputes arising from or in connection with the present framework agreement and the purchase agreements concluded in its execution is Düsseldorf. However, American Apparel Deutschland is also entitled to litigate a legal dispute at any other competent court.
- 11.5 The law of the Federal Republic of Germany applies to the present framework agreement and the single purchase agreements concluded in its execution to the exclusion of the United Nations Convention on Contracts for the International Sale of Goods (CISG).

Appendices

Appendix 1.2 General Sales, Supply and Payment Conditions of American Apparel Deutschland GmbH

Appendix 3.1 Current Price List

Place/Date

Place/Date

American Apparel Deutschland GmbH

Buyer