

AMERICAN APPAREL, INC
Form DEF 14A
June 17, 2015

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material under §240.14a-12

American Apparel, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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June 17, 2015

Dear Fellow Stockholder:

You are cordially invited to the 2015 Annual Meeting of Stockholders of American Apparel, Inc. (the "Annual Meeting") to be held on July 16, 2015, at 9:00 a.m., Central Time, at the Chicago office of Skadden, Arps, Slate, Meagher & Flom LLP, 155 N. Wacker Dr., Chicago, IL 60606.

The matters to be considered and voted upon at the Annual Meeting are described in the Notice of Annual Meeting of Stockholders and the Proxy Statement that accompany this letter.

It is very important that your shares be represented and voted at the Annual Meeting. Please read the attached Proxy Statement and vote your shares as soon as possible.

If you have any questions or need assistance in voting your shares, please call our proxy solicitor, Innisfree M&A Incorporated, toll-free at 888-750-5834.

Thank you for your continued support of American Apparel.

Sincerely,

/s/ COLLEEN B. BROWN

Colleen B. Brown
Chairperson of the Board

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AMERICAN APPAREL, INC.

747 Warehouse Street
Los Angeles, California 90021

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To be held on July 16, 2015

Time and Date: 9:00 a.m., Central Time, on Thursday, July 16, 2015
Place: The Chicago office of Skadden, Arps, Slate, Meagher & Flom LLP, 155 N. Wacker Dr., Chicago, IL 60606

- Items of Business:**
1. To elect Laura A. Lee, Thomas J. Sullivan and Lyndon Lea to the Board of Directors, each to serve for a term of three years and until his or her successor is duly elected and qualified, or such director's earlier death, resignation or removal.
 2. To ratify the appointment of Marcum LLP as our independent auditors for the fiscal year ending December 31, 2015.
 3. To approve an amendment to our Amended and Restated Certificate of Incorporation to increase the number of authorized shares of our common stock that we may issue.
 4. To consider and transact such other business as may properly come before the Annual Meeting.

Board of Directors Recommendation: The Board of Directors recommends that you vote "**FOR**" the election of each nominee for the Board of Directors and "**FOR**" Items 2 and 3.

Adjournments and Postponements: Any action on the items of business described above may be considered at the Annual Meeting at the time and on the date specified above or at any time and date to which the Annual Meeting may be properly adjourned or postponed.

Record Date: You are entitled to notice of and to vote at the Annual Meeting and any adjournment or postponement thereof only if you were a holder of record of shares of American Apparel, Inc. common stock as of the close of business on June 15, 2015. If your shares are held in an account at a brokerage firm, bank or similar organization, that organization is considered the record holder for purposes of voting at the Annual Meeting and will provide you with instructions on how you can direct that organization to vote your shares.

Voting: Your vote is very important. Whether or not you plan to attend the Annual Meeting, we encourage you to read the accompanying Proxy Statement and our 2014 Annual Report on Form 10-K and vote as soon as possible. You may submit your proxy for the Annual Meeting by using the telephone or Internet voting system or by completing, signing, dating and returning your proxy card. For specific instructions on how to vote your shares, please refer to the section entitled "Questions and Answers about the Proxy Materials and Annual Meeting" beginning on page 1 of the accompanying Proxy Statement.

Admission: Space limitations make it necessary to limit attendance at the Annual Meeting to stockholders of record. If your shares are held in an account at a brokerage firm, bank or similar organization and you wish to attend the Annual Meeting, you must obtain a letter from that brokerage firm, bank or similar organization confirming your ownership of the shares as of the record date and bring it to the Annual Meeting. Admission to the Annual Meeting will be on a first-come, first-served basis. Cameras, mobile phones and recording devices will not be permitted at the Annual Meeting.

The Annual Meeting will begin promptly at 9:00 a.m., Central Time.

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Registration will begin at 8:30 a.m., Central Time.

Sincerely,

/s/ CHELSEA A. GRAYSON

Chelsea A. Grayson
Executive Vice President, General Counsel and Secretary
Los Angeles, California
June 17, 2015

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE STOCKHOLDERS MEETING TO BE HELD ON JULY 16, 2015: The Proxy Statement and Annual Report to stockholders will be available at www.americanapparel.net/aboutus/investorrelations/.

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AMERICAN APPAREL, INC.

747 Warehouse Street
Los Angeles, California 90021

**PROXY STATEMENT
FOR 2015 ANNUAL MEETING OF STOCKHOLDERS**

To be held on July 16, 2015

QUESTIONS AND ANSWERS ABOUT THE PROXY MATERIALS AND ANNUAL MEETING

Q: Why am I receiving these materials?

A:

This proxy statement (this "Proxy Statement"), together with our Annual Report on Form 10-K for the year ended December 31, 2014 (our "Annual Report"), is being mailed to stockholders commencing on or about June 17, 2015 in connection with the solicitation by the Board of Directors (the "Board of Directors" or the "Board") of American Apparel, Inc. (the "Company" or "American Apparel") of proxies for use at the 2015 Annual Meeting of Stockholders and any adjournments or postponements thereof (the "Annual Meeting") to be held at the Chicago office of Skadden, Arps, Slate, Meagher & Flom LLP, 155 N. Wacker Dr., Chicago, IL 60606 on Thursday, July 16, 2015, at 9:00 a.m., Central Time, for the purposes set forth in this Proxy Statement and in the accompanying Notice of Annual Meeting of Stockholders.

Q: What items will be voted on at the Annual Meeting?

A:

(1) The election of each of Ms. Lee, Mr. Sullivan and Mr. Lea to the Board of Directors, each to serve for a term of three years and until his or her successor is duly elected and qualified, or such director's earlier death, resignation or removal. This proposal is referred to as "Proposal 1."

(2) The ratification of the appointment of Marcum LLP as our independent auditors for the fiscal year ending December 31, 2015. This proposal is referred to as "Proposal 2."

(3) The approval of an amendment to our Amended and Restated Certificate of Incorporation, as amended (the "Certificate of Incorporation"), to increase the number of authorized shares of the Company's common stock ("Common Stock") that we may issue. This proposal is referred to as "Proposal 3."

(4) Such other business as may properly come before the Annual Meeting.

The stockholders of the Company have no dissenters' or appraisal rights in connection with any of the proposals to be voted on at the Annual Meeting.

Q: How does the Board recommend I vote on the proposals?

A:

The Board recommends a vote FOR the election of each of Ms. Lee, Mr. Sullivan and Mr. Lea to the Board of Directors, each to serve for a term of three years and until his or her successor is duly elected and qualified, or such director's earlier death, resignation or removal.

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The Board recommends a vote FOR the ratification of Marcum LLP as our independent auditors for the year ending December 31, 2015.

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The Board recommends a vote FOR the amendment to our Certificate of Incorporation to increase the number of shares of Common Stock that we may issue.

Q: How do I vote?

A:

There are four ways to vote:

Voting in Person. To vote in person, you must attend the Annual Meeting and follow the procedures for voting announced at the Annual Meeting. If your shares are held in an account at a brokerage firm, bank or similar organization, you must present a signed proxy from that organization in order to be able to vote at the Annual Meeting.

Voting by Internet. You may vote by proxy over the Internet by following the instructions provided in the proxy card or voting instruction form, as applicable.

Voting by Telephone. You may vote by proxy by calling the toll free number found on the proxy card or voting instruction form, as applicable.

Voting by Mail. You may vote by proxy by mail by following the instructions on the proxy card or voting instruction form, as applicable.

Q: Who is entitled to vote?

A:

Only holders of record of our Common Stock as of the close of business on June 15, 2015 (the "Record Date") are entitled to vote at the Annual Meeting.

If your shares are held in an account at a brokerage firm, bank or similar organization, that organization is considered the record holder for purposes of voting at the Annual Meeting and will provide you with instructions on how to direct that organization to vote your shares. See "What if my shares are held in an account at a brokerage firm, bank or similar organization?" below.

Q: How many shares can I vote?

A:

As of the Record Date, 179,982,122 shares of Common Stock, the only outstanding voting securities of the Company, were issued and outstanding. Each record holder of Common Stock is entitled to one vote for each share held.

Q: Can I change my vote after I have voted?

A:

You may revoke your proxy and change your vote at any time before the final vote at the Annual Meeting by voting again by proxy as described above (only your latest, properly completed proxy submitted, whether by mail, telephone or the Internet, prior to the Annual Meeting will be counted) or by attending the Annual Meeting and voting in person. However, your attendance at the Annual Meeting will not automatically revoke your proxy unless you vote again at the Annual Meeting or specifically request in writing that your prior proxy be revoked by delivering to the Company's Secretary at 747 Warehouse Street, Los Angeles, California 90021 a written notice of revocation prior to the Annual Meeting.

Q: How can I get electronic access to the 2015 Annual Meeting materials?

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A: This Proxy Statement and our Annual Report are also available without charge on the Company's website at www.americanapparel.net/aboutus/investorrelations/ and the SEC's website at sec.gov. By referring to our website, we do not incorporate the website or any portion of the website by reference into this Proxy Statement.

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The proxy card or voting instruction form contains instructions on how you can elect to receive future proxy materials electronically by e-mail. Choosing to receive future proxy materials by e-mail will save the Company the cost of printing and mailing documents to you and will reduce the impact of the Company's annual meetings on the environment. If you choose to receive future proxy materials by e-mail, you will receive an e-mail message next year with instructions containing a link to those materials and a link to the proxy voting website. Your election to receive proxy materials by e-mail will remain in effect until you terminate it.

Q: I share an address with another stockholder, and we received only one copy of the Proxy Statement. How may I obtain a separate copy of the Proxy Statement?

A:

The Company has adopted a procedure called "householding," which the SEC has approved. Under this procedure, the Company may deliver a single copy of the Proxy Statement and our Annual Report to stockholders who share the same address unless the Company has received contrary instructions from one or more of the stockholders. This procedure reduces the Company's printing costs, mailing costs and fees. All stockholders have the ability to access the 2015 Annual Meeting materials on the website referred to in the Proxy Statement. If you would like to receive a separate copy of the Proxy Statement and our Annual Report, please submit your request to:

American Apparel, Inc.
Attn: Investor Relations
747 Warehouse Street
Los Angeles, California 90021
(213) 488-0226

Similarly, if you share an address with another stockholder and received multiple copies of the Proxy Statement and our Annual Report, you may write or call us at the above address and phone number to make arrangements to receive a single copy of the Proxy Statement and our Annual Report at the shared address in the future.

In addition, if you share the same address with another stockholder and request a printed copy of the Proxy Statement and our Annual Report, you may write or call us at the above address to request that a separate copy of the Proxy Statement and our Annual Report be delivered to each stockholder at the shared address.

Stockholders who hold shares in an account at a brokerage firm, bank or similar organization may contact their brokerage firm, bank or other similar organization to request information about householding.

Q: What does it mean if I get more than one proxy card?

A:

If your shares are registered differently and are in more than one account, you may receive more than one proxy card. Please follow the voting instructions on the proxy cards or voting instruction forms, as applicable, and vote all proxy cards or voting instruction forms, as applicable, to ensure that all of your shares are voted. We encourage you to have all accounts registered in the same name and address whenever possible. You can accomplish this by contacting our transfer agent at:

Continental Stock Transfer & Trust Company
17 Battery Place
New York, NY 10004
(212) 509-4000, extension 206
continentalstock.com
cstmail@continentalstock.com

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Q: What if my shares are held in an account at a brokerage firm, bank or similar organization?

A:

If your shares are held in an account at a brokerage firm, bank or similar organization, then you are the beneficial owner of shares held in "street name." The organization holding your account is considered the record holder for purposes of voting at the Annual Meeting. As a beneficial owner, you have the right to direct that organization on how to vote the shares held in your account, and that organization will provide you with instructions on how to do so. You will receive a voting instruction form from your brokerage firm, bank or similar organization instead of a proxy card, and you should follow the instructions on the voting instruction form.

If you do not provide the organization that holds your shares with specific voting instructions, under the rules of the NYSE MKT LLC (the "NYSE MKT") in effect as of the date of this Proxy Statement, that organization generally may vote on routine matters but cannot vote on non-routine matters. The election of Ms. Lee, Mr. Sullivan and Mr. Lea to the Board (Proposal One) is considered a "non-routine" matter under the applicable rules of the NYSE MKT, and the ratification of the appointment of Marcum as our independent auditors for the fiscal year ending December 31, 2015 (Proposal Two) and the amendment of our Certificate of Incorporation to increase the number of authorized shares of Common Stock (Proposal Three) are considered "routine" under the applicable rules of the NYSE MKT. If the organization that holds your shares does not receive instructions from you on how to vote your shares on a non-routine matter, that organization will inform the inspector of elections that it does not have the authority to vote on that matter with respect to your shares. This is generally referred to as a "broker non-vote." A broker non-vote will have the effects described under "What quorum and vote is required to approve each proposal?" below.

Q: What quorum and vote is required to approve each proposal?

A:

A quorum must have been established in order to consider any matter.

For Proposal 1, directors are elected by a plurality of votes cast. Therefore, the three candidates for director receiving the most votes will become directors of the Company. Stockholders may not cumulate their votes. Any broker non-votes and any proxies marked "Withhold" with respect to the election of one or more directors will not count as "votes cast" with respect to the director or directors indicated and therefore will be disregarded for purposes of determining the outcome of this proposal.

Proposal 2, the ratification of our independent auditors, requires the affirmative "for" vote of a majority of those shares present in person or represented by proxy and entitled to vote on this proposal at the Annual Meeting. Any abstentions with respect to this proposal will count as votes against this proposal. Broker non-votes, if any, with respect to the ratification of our independent auditors will not count as shares entitled to vote on this proposal and therefore will be disregarded for purposes of determining the outcome of the vote on this proposal.

Proposal 3, the approval of an amendment to the Company's Certificate of Incorporation to increase the number of authorized shares of Common Stock the Company may issue, requires the affirmative "for" vote of a majority of outstanding shares entitled to vote on this proposal at the Annual Meeting. Any abstentions and broker non-votes, if any, with respect to this proposal will count as votes against this proposal.

Q: How will voting on any other business be conducted?

A:

Although we do not know of any business to be considered at the Annual Meeting other than the proposals described in this Proxy Statement, if any other business is presented at the Annual Meeting, your signed proxy or your authenticated Internet or telephone proxy will give authority to each of Paula Schneider, our Chief Executive Officer, and Chelsea A. Grayson, our Executive Vice President, General Counsel and Secretary, to vote on such matters at their discretion.

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Q: What is the deadline to propose actions for consideration at next year's annual meeting of stockholders or to nominate individuals to serve as directors?

A:

You may submit proposals, including director nominations, for consideration at future stockholder meetings as follows:

Stockholder Proposals: For a stockholder proposal to be considered for inclusion in the Company's proxy statement for the 2016 Annual Meeting of Stockholders, the written proposal must be delivered to or mailed and received by the Secretary of the Company at our principal executive offices no later than February 18, 2016. If the date of the 2016 Annual Meeting of Stockholders is moved more than 30 days before or after the anniversary date of the Annual Meeting, the deadline for inclusion of proposals in our proxy statement instead will be a reasonable time before we begin to print and mail our proxy materials. Such proposals also will need to comply with Rule 14a-8 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), regarding the inclusion of stockholder proposals in company-sponsored proxy materials. Proposals should be addressed to:

American Apparel, Inc.
Attn: Chelsea A. Grayson, Secretary
747 Warehouse Street
Los Angeles, California 90021
(213) 488-0226

For a stockholder proposal that is not intended to be included in the Company's proxy statement for the 2016 Annual Meeting of Stockholders under Rule 14a-8 under the Exchange Act, written notice of the proposal, which notice must include the information required by the Company's Amended and Restated Bylaws (the "Bylaws"), must be received by the Company's Secretary:

Not earlier than the close of business on the 90th day prior to the 2016 Annual Meeting of Stockholders; and

Not later than the close of business on the 60th day prior to the 2016 Annual Meeting of Stockholders.

If less than 70 days' notice or prior public disclosure of the date of the 2016 Annual Meeting of Stockholders is given or made to stockholders, then notice of a stockholder proposal that is not intended to be included in the Company's proxy statement under Rule 14a-8 under the Exchange Act must be received no later than the close of business on the tenth day following the date on which notice of the date of the 2016 Annual Meeting of Stockholders is mailed to the stockholders or the date on which public disclosure of the date of the 2016 Annual Meeting of Stockholders is made, whichever is first.

Nomination of Director Candidates: You may propose director candidates for consideration by the Board's Nominating and Corporate Governance Committee or you may nominate director candidates directly at an annual meeting in accordance with the procedures set forth in the Bylaws, as summarized under the caption "Corporate Governance and Board Matters Consideration of Director Nominees Stockholder Nominees" herein.

Copy of Bylaw Provisions: You may contact the Company's Secretary at our principal executive offices for a copy of the relevant Bylaw provisions regarding the requirements for making stockholder proposals and nominating director candidates.

Q: How is the Company soliciting proxies for the Annual Meeting?

A:

This solicitation is made by mail on behalf of the Board of Directors. Costs of the solicitation will be borne by the Company. Further solicitation of proxies may be made by telephone, facsimile or personal interview by the directors, officers and employees of the Company and its affiliates, who will not receive additional compensation for the solicitation and by certain officers or employees of

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Innisfree M&A Incorporated, who we have hired to assist us in the solicitation of proxies. The Company will reimburse banks, brokerage firms and other custodians, nominees and fiduciaries for reasonable expenses incurred by them in forwarding proxy materials to stockholders. The costs of this proxy solicitation are summarized under the caption "Other Matters Cost of Solicitation" herein.

Q: How will Dov Charney's shares of Common Stock be voted at the 2015 Annual Meeting?

A:

As of June 15, 2015, Mr. Charney, the Company's former Chief Executive Officer, owned approximately 41.4% of our outstanding Common Stock. However, Mr. Charney may *not* vote such shares at the 2015 Annual Meeting or any adjournments or postponements thereof except as mutually agreed with Standard General L.P. ("Standard General") under the terms of a cooperation agreement entered into between Mr. Charney and Standard General. In addition, under the terms of the Standstill Agreement (as defined below under "Background of the Solicitation"), Mr. Charney and Standard General agreed to vote shares in excess of 33¹/₃ percent of the outstanding Common Stock at the 2015 Annual Meeting or any adjournments or postponements thereof in proportion to the votes for such proposals or other business cast by the other stockholders of the Company voting at the 2015 Annual Meeting. For further information on the cooperation agreement and Standstill Agreement see "Certain Relationships and Related Transactions Agreements between Mr. Charney and Standard General."

Standard General has informed the Company that it will only approve Mr. Charney voting for proposals recommended by the Board of Directors at the 2015 Annual Meeting.

Q: Will Dov Charney's shares be counted for purposes of establishing a quorum at the 2015 Annual Meeting?

A:

Yes. Under the terms of the Standstill Agreement (as defined below under "Background of the Solicitation"), Mr. Charney agreed that his shares will be counted for purposes of establishing a quorum at the 2015 Annual Meeting.

Q: Is Dov Charney or his representatives permitted to solicit a proxy from me or otherwise encourage me to vote against any of the proposals recommended by the Company's Board of Directors?

A:

No. Under the terms of the Standstill Agreement (as defined below under "Background of the Solicitation"), Mr. Charney may not solicit proxies, or encourage, advise, influence or assist any other person in the solicitation of any proxies against any of the proposals recommended by the Company's Board of Directors at the 2015 Annual Meeting. Moreover, on June 1, 2015, the Delaware Court of Chancery granted the motion of the Company for a temporary restraining order against Mr. Charney, temporarily restraining Mr. Charney from breaching the terms of the Standstill Agreement. Mr. Charney subsequently agreed that the restraints placed on him by such temporary restraining order are extended until the conclusion of the 2015 Annual Meeting. If you are contacted by Mr. Charney or any of his representatives in regards to your vote at the 2015 Annual Meeting, please promptly inform the general counsel of the Company at (213) 542-4993.

Q: How can I find the voting results of the Annual Meeting?

A:

We intend to announce preliminary voting results at the Annual Meeting and will publish final results in our Current Report on Form 8-K within four business days after the Annual Meeting.

Q: How may I communicate with the Company's Board or the non-management directors on the Company's Board?

A:

You may communicate with the Board by submitting an e-mail to the Company's Board at bod@americanapparel.net.

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BACKGROUND OF THE SOLICITATION

On May 17, 2015, Jeffrey Kolb, a stockholder of American Apparel, notified the Company that he was nominating two candidates for election as directors at the 2015 Annual Meeting. Mr. Kolb also proposed that the Company adopt a resolution that would repeal any provision of the Company's Bylaws in effect at the time of the annual meeting that was not included in the Company's Bylaws as of December 22, 2014.

On May 21, 2015, the Company filed for a temporary restraining order in the Delaware Court of Chancery against Mr. Charney to prevent him from breaching the Nomination, Standstill and Support Agreement, dated July 9, 2014, among Standard General, Standard General L.P., P Standard General Ltd. and Mr. Charney (the "Standstill Agreement"), through the pendency of the court's decision on the Company's motion for a preliminary injunction, including, but not limited to, by taking any direct or indirect action seeking to remove the Company's directors, or by making any disparaging comments about the Company to the press or any other third party.

On June 1, 2015, the Delaware Court of Chancery granted the motion of the Company for a temporary restraining order against Mr. Charney, temporarily restraining Mr. Charney from breaching the terms of the Standstill Agreement.

On June 5, 2015, Mr. Charney agreed that the restraints placed on him by such temporary restraining order are extended until the conclusion of the 2015 Annual Meeting.

On June 7, 2015, the Company and Mr. Kolb entered into a letter agreement pursuant to which, among other things, (i) the Company will form a new advisory committee comprised of industry executives, Company employees and other qualified personnel that will provide insights, guidance and strategic input for the Company's Chief Executive Officer ("CEO"), (ii) the Company will use reasonable efforts to identify a new independent director with significant experience as a member of senior management of retail and/or apparel companies and appoint the new director to fill a vacancy on the Board prior to the Company's 2016 annual meeting of stockholders, and (iii) Mr. Kolb withdrew his notice of intent to nominate persons for election as directors of the Company and to present a proposal at the 2015 Annual Meeting. Gene Montesano, the co-founder of Lucky Brand jeans and one of the two director candidates proposed by Mr. Kolb, will head the new advisory committee if he is willing and able to do so.

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PROPOSAL 1: ELECTION OF CLASS B DIRECTORS

Pursuant to the Company's Certificate of Incorporation, the Board of Directors is divided into three classes of directors serving staggered terms (Classes A, B and C). One class of directors is elected at each annual meeting of stockholders for a three-year term, and those directors will hold office until their successors have been duly elected and qualified, or until their earlier death, resignation or removal. The Bylaws authorize a Board of Directors consisting of not less than one or more than nine directors. The Board of Directors currently consists of nine members: Mses. Colleen B. Brown, Laura A. Lee and Paula Schneider and Messrs. Jeff Chang, David Glazek, Lyndon Lea, Joseph Magnacca, Allan Mayer and Thomas J. Sullivan. We currently have no vacancies on the Board of Directors.

Ms. Lee and Mr. Sullivan were designated to serve as Class B directors by Standard General under the Standstill Agreement, effective as of August 2, 2014. Under the terms of the Standstill Agreement, the Company has agreed to use its reasonable best efforts to cause the election of Ms. Lee and Mr. Sullivan to the Board of Directors at the 2015 Annual Meeting. Mr. Lea was designated to serve as a Class B director by Lion/Hollywood L.L.C. ("Lion") in accordance with the investment agreement the Company entered into with Lion, dated as of March 13, 2009 (as amended, the "Investment Agreement") (described under "Certain Relationships and Related Party Transactions" herein).

The terms of Ms. Lee, Mr. Sullivan and Mr. Lea will expire at the Annual Meeting. After careful consideration of the specific experience, qualifications, attributes and skills of each director and director nominee, the Board has nominated Laura A. Lee, Thomas J. Sullivan and Lyndon Lea (the "Class B Nominees") for reelection at the Annual Meeting. Each of Ms. Lee and Mr. Sullivan currently meets the criteria to qualify as an independent director according to SEC regulations and NYSE MKT listing standards.

If elected, each of the Class B Nominees will serve for a term of three years and until his or her successor is duly elected and qualified at the 2018 Annual Meeting of Stockholders, or such director's earlier death, resignation or removal.

Each of the Class B Nominees has consented to being named in this Proxy Statement and has agreed to serve as a member of the Board of Directors if elected. If any of the Class B Nominees is unable to serve, which is not anticipated, the persons named as proxies intend to vote for such other person or persons as the Board of Directors may designate in accordance with the Investment Agreement and the investment voting agreement, dated as of March 13, 2009, between Mr. Charney and Lion (the "Investment Voting Agreement"), described below. In no event will the shares represented by the proxies be voted for more than three nominees at the Annual Meeting.

The names and certain information concerning each of the Class B Nominees, including their experience, qualifications, attributes and skills, are set forth below, and the names and certain information regarding the continuing directors whose terms expire in 2016 and 2017 are set forth under the heading "Directors and Executive Officers" herein.

Laura A. Lee was appointed to the Board on August 8, 2014 and currently serves as a member of the Nominating and Corporate Governance Committee of the Board. In July 2015, Ms. Lee will be joining Margaritaville Enterprises as their Chief Digital Officer and President of Margaritaville Media. Ms. Lee was with Google/YouTube from October 2007 to June 2015, where she served as the Global Head of Top Creators and oversaw relationships with the top YouTube talent worldwide. Previously, Ms. Lee also was the head of North American Partnerships where she oversaw more than 500 television, film, new media, original entertainment, and U.S. Hispanic partnerships. Prior to joining Google, she was a Vice President and Head of Business Development & Operations for MTV, where she launched various broadband businesses, spearheaded key acquisitions/JVs and oversaw MTV Puerto Rico. Ms. Lee holds a B.A. from Brown University and an M.B.A. from the Harvard Business School.

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Ms. Lee's experience in digital, e-commerce and marketing, combined with the leadership skills and experiences of the other Board members, provides us with the perspectives and judgment necessary to guide our strategy and monitor its execution.

Thomas J. Sullivan was appointed to the Board on August 2, 2014 and currently serves as the Chair of the Nominating and Corporate Governance Committee and as a member of the Audit Committee of the Board. Mr. Sullivan has served as a director of Media General since November 2013. He has also served as a member of the advisory board of Millennium Custodial Trust since 2010 and a Trustee of Accredited Mortgage Loan REIT since 2009. Since 2009, Mr. Sullivan has been the Managing Partner of Smallwood Partners, LLC, a financial advisory services firm. Prior to the merger of Media General and New Young Broadcasting Holding Co. ("Young"), Mr. Sullivan was a member of the Board of Directors, as well as of the Audit, Compensation and Nominating Committees, of Young from January 2009 until November 2013. Mr. Sullivan held the position of Executive Chairman of Young from June 2012 until November 2013 and served as Senior Vice President, Finance and Chief Financial Officer in 2012. Mr. Sullivan's previous experience also includes serving as a Managing Director with Investcorp International, Inc., an international middle market private equity firm. Mr. Sullivan holds a B.B.S. from Villanova University. Mr. Sullivan has served on numerous boards for 20 years and has broad leadership, operational and financial restructuring experience as well as experience in the fields of private equity and capital markets. Mr. Sullivan's experience as a public company director and in the private equity sector, combined with the leadership skills and experiences of the other Board members, provides us with the perspectives and judgment necessary to guide our strategy and monitor its execution.

Lyndon Lea was appointed to the Board on January 13, 2015 as a designee of Lion under the Investment Agreement. Mr. Lea is a founding partner of Lion Capital LLP, an affiliate of Lion, and serves as its Managing Partner. Prior to founding Lion Capital, Mr. Lea was a Partner of Hicks, Muse, Tate & Furst where he co-founded its European operations in 1998. Prior to joining Hicks Muse, Mr. Lyndon served at Glenisla, the European affiliate of Kohlberg Kravis Roberts & Co and was an investment banker. Mr. Lea received his B.A. from the University of Western Ontario in Canada.

Vote Required

The Class B Nominees will be elected by a plurality of the votes cast at the Annual Meeting. **Unless instructed to the contrary in the proxy, the shares represented by the proxies will be voted FOR ALL in favor of the election of each of the Board's nominees.**

The Board of Directors recommends a vote FOR each of the Class B Nominees.

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PROPOSAL 2: RATIFICATION OF APPOINTMENT OF INDEPENDENT AUDITORS

The Audit Committee has selected the firm of Marcum LLP ("Marcum") to act as the Company's independent auditors for the fiscal year ending December 31, 2015, and recommends that the stockholders vote in favor of such appointment. Marcum has served as the Company's independent auditors since 2010.

Although stockholder ratification of the selection of Marcum as the Company's independent auditors is not required by the Company's Bylaws or otherwise, the Board of Directors believes it appropriate as a matter of policy to request that stockholders ratify the selection of the Company's independent registered public accounting firm, and the stockholders ratified the selection of Marcum in previous years. In the event the stockholders do not ratify the appointment of Marcum, the Audit Committee will reconsider its appointment. In addition, even if the stockholders ratify the appointment of Marcum, the Audit Committee may in its discretion appoint a different independent public accounting firm at any time if the Audit Committee determines that a change is in the best interests of the Company and its stockholders. Representatives of Marcum are expected to be present at the Annual Meeting to respond to appropriate questions and to make a statement if such representatives so desire.

Vote Required

The affirmative vote of a majority of shares present in person or represented by proxy at the Annual Meeting and entitled to vote on this proposal is required to ratify the selection of Marcum as our independent auditors for the fiscal year ending December 31, 2015. **Unless instructed to the contrary in the proxy, the shares represented by the proxies will be voted FOR this Proposal 2.**

The Board of Directors recommends a vote FOR this Proposal 2.

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Aggregate fees billed to us for the fiscal years ended December 31, 2014 and 2013 by the Company's current and former independent auditors are as follows.

(in thousands)	2014	2013
Marcum LLP		
Audit fees(1)	\$ 1,695	\$ 1,825
Audit-related fees(2)		120
Tax fees(3)		
All other fees(4)	85	
	\$ 1,780	\$ 1,945

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- (1) "Audit fees" consist of fees for professional services rendered by the principal accountant for the audit of the Company's annual financial statements included in Form 10-Ks, the review of financial statements included in Form 10-Qs and for services that are normally provided by the auditor in connection with statutory and regulatory filings or engagements for those fiscal years.
- (2) "Audit-related fees" consist of fees for assurance and related activities by the principal accountant that are reasonably related to the performance of the audit or review of the Company's financial statements and are not reported as audit fees.
- (3) "Tax fees" consist of fees for professional services rendered by the principal accountant for tax compliance, tax advice and tax planning.
- (4) "All other fees" consist of fees for any products and services provided by the principal accountant not included in the first three categories.

In accordance with Section 10A(i) of the Exchange Act, before the Company engages its independent accountant to render audit or non-audit services, the engagement is approved by the Company's Audit Committee. All of the Company's independent auditor's fees were pre-approved by the Audit Committee in 2014. The Audit Committee utilizes a policy pursuant to which the audit, audit-related, and permissible non-audit services to be performed by the independent auditor are pre-approved prior to the engagement to perform such services. Pre-approval is generally provided annually, and any pre-approval is detailed as to the particular service or category of services and is generally limited by a maximum fee amount. The independent auditor and management are required to periodically report to the Audit Committee regarding the extent of services provided by the independent auditor in accordance with this pre-approval, and the fees for the services performed to date. The Audit Committee considered whether the provision of non-audit services provided by Marcum as described above was compatible with maintaining such accountant's independence, and believes that the provision of these services is consistent with maintaining such accountant's independence.

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REPORT OF THE AUDIT COMMITTEE

The Audit Committee assists the Board in fulfilling its responsibilities for general oversight of the integrity of the Company's financial statements, the Company's compliance with legal and regulatory requirements, the Company's system of internal control over financial reporting and the qualifications, independence and performance of the Company's internal audit function and independent auditor. Management is responsible for the financial reporting process, including the Company's system of internal control over financial reporting, and for the preparation of the Company's consolidated financial statements in accordance with generally accepted accounting principles. The Company's independent auditor is responsible for performing an independent audit of the Company's financial statements and expressing an opinion as to the conformity of the Company's audited financial statements with generally accepted accounting principles.

The Audit Committee reviewed and discussed with management the Company's audited financial statements as of and for the fiscal year ended December 31, 2014. In addition, the Audit Committee discussed with Marcum the matters with respect to the audit of such financial statements required to be discussed by Statement on Auditing Standards No. 61, as amended and adopted by the Public Company Accounting Oversight Board in Rule 3200T, pertaining to communications with audit committees. The Audit Committee also received the written disclosures and the letter from Marcum required by applicable requirements of the Public Company Accounting Oversight Board regarding Marcum's communications with the Audit Committee concerning independence and discussed with Marcum its independence.

The Audit Committee met with Marcum, with and without management present, to discuss the overall scope of its audit, the results of its examinations, its evaluations, if any, of the Company's internal control over financial reporting, and the overall quality of the Company's financial reporting, in each case for fiscal year 2014.

Based on the reviews and discussions referred to above, the Audit Committee recommended to the Board of Directors that the audited financial statements be included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2014 for filing with the SEC.

By the Audit Committee,
David Danziger, Chairman
Colleen B. Brown
Thomas J. Sullivan

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PROPOSAL 3: AMENDMENT TO THE AMENDED AND RESTATED CERTIFICATE OF INCORPORATION TO INCREASE THE AUTHORIZED NUMBER OF SHARES OF COMMON STOCK

At the 2015 Annual Meeting, the stockholders of the Company will be asked to consider and vote in favor of an amendment to the Certificate of Incorporation that would increase the number of shares of Common Stock that the Company is authorized to issue. In June 2015, the Board voted to approve and recommend to our stockholders that they approve this amendment.

Proposed Amendment

The Company's Board of Directors has adopted a resolution to amend the Certificate of Incorporation to increase the number of authorized shares of Common Stock from 230,000,000 to 460,000,000 shares. The form of the amendment is attached as *Annex A* to this Proxy Statement. The amendment will replace Article Fourth of the Certificate of Incorporation with the following language:

FOURTH: The total number of shares of all classes of capital stock which the Corporation shall have authority to issue is 461,000,000 of which 460,000,000 shares shall be Common Stock of the par value of \$.0001 per share and 1,000,000 shares shall be Preferred Stock of the par value of \$.0001 per share.

The proposed amendment will not increase or otherwise affect the number of shares of preferred stock that are authorized. In December 2014, the Company authorized the issuance of 200,000 shares of Series B preferred stock that are issuable pursuant to its stockholder rights plan.

If the proposed amendment is approved by the stockholders, the amendment will be effective upon the filing of the amendment with the Delaware Secretary of State, which filing is expected to occur promptly after the 2015 Annual Meeting.

Purpose and Background for Increase in Authorized Common Stock

The purpose of the proposed amendment is to increase the number of authorized shares of Common Stock from 230,000,000 to 460,000,000 shares. Of the 230,000,000 currently authorized shares of our Common Stock 179,982,122 were issued and outstanding as of June 15, 2015. After taking into account shares recently sold in our at-the-market offering (described below) and shares reserved, pursuant to the Company's current employee benefits plans and employment arrangements, for the issuance of or adjustments to our currently outstanding warrants and stock options, and other current contractual compensation arrangements, the Company estimates that only approximately 4,655,789 of the 230,000,000 authorized shares of Common Stock remain available for future issuance. In addition, in May 2015, the Company authorized and launched an "at-the-market" offering pursuant to which the Company may, from time to time, issue and sell up to 15 million shares of Common Stock having an aggregate offering price of up to \$10,000,000, which is expected to further reduce the number of shares of Common Stock available for future issuance. 3,514,989 shares of Common Stock have been sold under the at-the-market offering as of June 15, 2015.

The Board believes that it is advisable and in the best interests of the Company and its stockholders to increase the number of authorized shares of Common Stock in order to give the Company greater flexibility in considering and planning for a variety of general corporate purposes that may be identified in the future. These corporate purposes include, but are not limited to, future equity financings to fund our working capital needs for the continued implementation of our turn-around strategy or other purposes, potential strategic transactions such as mergers, acquisitions and other business combinations, issuances upon exercise of or adjustments to warrants and stock options, attracting and retaining employees by the issuance of equity under our equity compensation plans, and other general corporate purposes.

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Other than possible issuances pursuant to the at-the-market offering (as described above), pursuant to the Company's current employee benefits plans and employment arrangements, the exercise of or adjustments to our currently outstanding warrants and stock options, and other current contractual compensation arrangements, the Company has no immediate plans, understandings, agreements or commitments to issue additional shares of Common Stock. The Company, however, reviews and evaluates potential opportunities, including financing alternatives, on an ongoing basis to determine if such actions would be in the best interest of the Company and its stockholders. In addition, the Company may need to conduct future equity financings to fund our working capital needs for the continued implementation of our turn-around strategy or other purposes, and the Company is actively considering such options. Absent the proposed amendment, the Company may be required to conduct such future equity financings through direct or indirect sales of its authorized but unissued blank check preferred stock (or fractions thereof) which, among other things, would be senior to the Common Stock. The additional authorized shares of Common Stock would enable the Company to act quickly in response to corporate and capital-raising opportunities (as described above), in most cases without the necessity of holding a special stockholders' meeting and obtaining further stockholder approval before such issuance(s) could proceed, except as provided under Delaware law or NYSE MKT rules.

Possible Effects of the Amendment

Upon issuance, the additional shares of authorized Common Stock would have rights identical to the currently outstanding shares of Common Stock. Adoption of the amendment would not have any immediate dilutive effect on the proportionate voting power or other rights of our existing stockholders. As is true for shares presently authorized but unissued, the future issuance of Common Stock authorized by the proposed amendment may, among other things, decrease our existing stockholders' percentage equity ownership and, depending on the price at which they are issued, could be dilutive to our existing stockholders and may have a negative effect on the market price of the Common Stock. Current stockholders have no preemptive or similar rights, which means current stockholders do not have prior rights to purchase any new issue of Common Stock in order to maintain their proportionate equity ownership in the Company.

Although this proposal to increase the authorized number of shares of Common Stock has been prompted by business and financial considerations and not by the threat of any known or threatened hostile takeover attempt, the Company would be able to use the additional shares to oppose a hostile takeover attempt or delay or prevent changes of control or management of the Company.

Vote Required

The affirmative vote of a majority of outstanding shares entitled to vote at the Annual Meeting is required for the adoption of this proposal. **Unless instructed to the contrary in the proxy, the shares represented by the proxies will be voted FOR this Proposal 3.**

The Board of Directors recommends a vote FOR this Proposal 3.

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DIRECTORS AND EXECUTIVE OFFICERS

The directors and executive officers of the Company and their ages and positions with the Company as of June 15, 2015, are as follows:

Name	Age	Position
Paula Schneider	57	Chief Executive Officer and Director
Hassan N. Natha	55	Executive Vice President and Chief Financial Officer
Martin Bailey	55	Chief Manufacturing Officer
Chelsea A. Grayson	43	Executive Vice President, General Counsel and Secretary
Colleen B. Brown	56	Director and Chairperson of the Board
Jeff Chang	34	Director
David Glazek	37	Director
Lyndon Lea	46	Direct