

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

In re:	:	Chapter 11
	:	
AMERICAN APPAREL, LLC, <i>et al.</i> , ¹	:	Case No. 16-12551 (BLS)
	:	
Debtors.	:	(Jointly Administered)
	:	
	:	Objection Deadline: January 11, 2017 at 12:00 p.m.
	:	Hearing Date: January 12, 2017 at 11:30 a.m.

NOTICE OF (A) THE DEBTORS' SALE OF SUBSTANTIALLY ALL OF THEIR ASSETS, FREE AND CLEAR OF ALL LIENS, CLAIMS AND ENCUMBRANCES AS SET FORTH IN THE STALKING HORSE APA, (B) APPROVAL OF CERTAIN BIDDING PROCEDURES RELATED TO SUCH SALE, (C) THE TIME, PLAN AND MANNER OF CONDUCTING AN AUCTION AND (D) THE TIME AND PLACE OF CONDUCTING THE SALE HEARING, AND OBJECTION AND OTHER DEADLINES RELATED THERETO

PLEASE TAKE NOTICE OF THE FOLLOWING:

1. On November 14, 2016, the above-captioned debtors and debtors in possession (collectively, the "Debtors") filed with the United States Court for the District of Delaware (the "Bankruptcy Court") a motion (Docket No. 53) (the "Motion") for entry of (a) an order (the "Bidding Procedures Order")² (i) authorizing and approving bidding procedures (the "Bidding Procedures"), substantially in the form attached to the Bidding Procedures Order as Exhibit 1, to be employed in connection with the sale or disposition (the "Sale" or "Transaction") of substantially all of the Debtors' assets (the "Assets") or any portion thereof; (ii) scheduling an auction (the "Auction") of the Assets; (iii) scheduling a hearing (the "Sale Hearing") to consider approval of the Sale Transactions; (iv) authorizing and approving the form and manner of notice of the Auction and Sale Hearing, notice to each non-Debtor counterparty (each, a "Counterparty") to an executor contract or unexpired lease (collectively, the "Contracts") of the Debtors' proposed cure amounts to cure all monetary defaults under the Contracts (the "Cure Costs"), if any, and notice of proposed assumption and assignment of certain Contracts (collectively, the "Proposed Assumed Contracts") in connection with a particular Sale or Transaction; (ii) authorizing and approving procedures for the assumption and assignment of Contracts; (b) entry of one or more orders, as applicable, authorizing and approving (i) the Sale of the Assets free and clear of all liens, claims, interests or encumbrances, except certain permitted encumbrances as determined by the Debtors and any purchaser of the Assets, and subject to any defenses or claims of the

¹ The Debtors are the following six entities (the last four digits of their respective taxpayer identification numbers follow in parentheses): American Apparel, LLC (0601); American Apparel (USA), LLC (8940); American Apparel Retail, Inc. (7829); American Apparel Dyeing & Finishing, Inc. (0324); KCL Knitting, LLC (9518); and Fresh Air Freight, Inc. (3870). The address of each of the Debtors is 747 Warehouse Street, Los Angeles, California 90021.

² Capitalized terms not otherwise defined herein shall have the meanings given to them in the Bidding Procedures and the Bidding Procedures Order, as applicable. Any summary of the Bidding Procedures or the Bidding Procedures Order is qualified in its entirety by the actual terms and conditions thereof. To the extent that there is any conflict between any such summary contained in this Notice and such actual terms and conditions, the actual terms and conditions in the Bidding Procedures shall control.

Debtors with respect thereto, with liens to attach to the proceeds of such sale(s); and (ii) the assumption and assignment of the Proposed Assumed Contracts; and (c) granting related relief.

2. On December 5, 2016, the Bankruptcy Court entered the Bidding Procedures Order (Docket No. 216).

3. Pursuant to the Bidding Procedures Order, any person or entity interested in participating in the Auction must submit a Qualified Bid (as defined in the Bidding Procedures) for the relevant Assets on or before **January 6, 2017 at 3:00 p.m. (prevailing Eastern Time)** (the "Bid Deadline") to the following parties: to (a) the Debtors, American Apparel, LLC, 747 Warehouse Street, Los Angeles, California 90021 (Attn: Chelsea Grayson (cgrayson@americanapparel.net), Bennett Nussbaum (bennett_nussbaum@americanapparel.net) and Lance Miller (lancemiller@americanapparel.net); (b) counsel for the Debtors, (i) Jones Day, 901 Lakeside Avenue, Cleveland, OH 44114 (Attn: Carl E. Black, Esq. (ceblack@jonesday.com)) and 250 Vesey Street, New York, NY 10281 (Attn: Scott J. Greenberg, Esq. (sgreenberg@jonesday.com)) and (ii) Pachulski Stang Ziehl & Jones LLP, 919 N. Market Street, 17th Floor, P.O. Box 8705, Wilmington, DE 19899-8705 (Attn: Laura Davis Jones, Esq., (ljones@pszjlaw.com), James E. O'Neill, Esq. (jo'neill@pszjlaw.com) and Joseph M. Mulvihill (jmulvihill@pszjlaw.com)); (c) the Debtors' financial advisors, Berkeley Research Group, LLC, 75 State Street, Suite 1805, Boston, MA 01109 (Attn: Mark Weinsten (mweinsten@thinkbrg.com) and Joe D'Ascoli (jdascoli@thinkbrg.com)); and (d) the Debtors' investment banker, Houlihan Lokey, Inc., 245 Park Avenue, 20th Fl., New York, NY 10167 (Attn: Saul Burian (SBurian@HL.com) and Devin Shanahan (DShanahan@hl.com)) (collectively, the "Bid Notice Parties").

4. If the Debtors receive more than one timely Qualified Bid for the same Assets with an acceptable purchase price by the Bid Deadline, the Debtors will conduct the Auction. The Auction, if required, will be conducted at the offices of Jones Day, **250 Vesey St., New York, New York 10281** on **January 9, 2017 at 10:00 a.m. (Prevailing Eastern Time)**, or at such other time and location as designated by the Debtors, with the prior consent of the Consultation Parties³ and the Stalking Horse (not to be unreasonably withheld, conditioned or delayed).

5. Objections to the Sale Transaction(s) (each, a "Sale Objection"), including any objection to the sale of any Assets free and clear of liens, claims, interests, and encumbrances pursuant to section 363(f) of the Bankruptcy Code to a Successful Bidder and/or a Backup Bidder, as applicable, and entry of any sale order (other than Adequate Assurance Objections (as defined below)) must (a) be in writing and specify the nature of such objection; (b) comply with the Bankruptcy Code, Bankruptcy Rules, Local Rules and all orders of the Bankruptcy Court; and (c) be filed with the Bankruptcy Court and served on: (i) the Debtors, American Apparel, LLC, 747 Warehouse Street, Los Angeles, California 90021 (Attn: Chelsea Grayson, Bennett Nussbaum, and Lance Miller); (ii) counsel for the Debtors, (1) Jones Day, 901 Lakeside Avenue, Cleveland, OH 44114 (Attn: Carl E. Black, Esq.) and 250 Vesey Street, New York, NY 10281 (Attn: Scott J. Greenberg, Esq.); and (2) Pachulski Stang Ziehl & Jones LLP, 919 N. Market Street, 17th Floor, P.O. Box 8705, Wilmington, DE 19899-8705 (Attn: Laura Davis Jones, Esq., James E. O'Neill, Esq., and Joseph M. Mulvihill); (iii) counsel for the Committee, (1) Cooley LLP, 1114 Avenue of the Americas, New York, NY 10036 (Attn: Cathy Hershcopf, Esq., Seth Van Aalten, Esq. and Michael Klein, Esq.) and (2) Bayard, P.A., 222 Delaware Avenue, Suite 900, Wilmington, DE 19801 (Attn: Justin

³ The "Consultation Parties" are (a) Milbank, Tweed, Hadley & McCloy LLP and Fox Rothschild LLP, as counsel to certain of the Debtors' prepetition secured lenders, (b) Covington & Burling LLP, as counsel to Wilmington Trust, National Association, as administrative agent to the Debtors' prepetition secured lenders, (c) Riemer & Braunstein LLP and Ashby & Geddes, P.A., as counsel to the DIP Lenders, (d) Debevoise & Plimpton LLP and Young Conaway Stargatt & Taylor, LLP, as counsel to Standard General, L.P. and (e) Cooley LLP and Bayard, P.A., as counsel to the Committee.

R. Alberto, Esq., Evan T. Miller, Esq. and Gregory J. Flasser, Esq.); (iv) counsel for certain of the Debtors' prepetition secured lenders, Milbank, Tweed, Hadley & McCloy LLP, 28 Liberty Street, New York, NY 10005 (Attn: Gerard Uzzi, Esq.); (v) counsel to Standard General, L.P., (1) Debevoise & Plimpton LLP, 919 Third Avenue, New York, NY 10022 (Attn: Craig A. Bruens, Esq.) and (2) Young Conaway Stargatt & Taylor, LLP, Rodney Square, 1000 North King Street, Wilmington, DE 19801 (Attn: Edmon L. Morton, Esq.); (vi) counsel for the DIP Lender, (1) Riemer & Braunstein LLP, Seven Times Square, Suite 2506, New York, New York 10036 (Attn: Steven Fox, Esq.) and (2) Ashby & Geddes, P.A., 500 Delaware Avenue, P.O. Box 1150 Wilmington, DE 19899 (Attn: Gregory Taylor); (vii) counsel (if applicable) of any applicable Successful Bidder(s) (as defined in the Bidding Procedures); (viii) counsel (if applicable) of any applicable Backup Bidder(s); (ix) counsel to the Stalking Horse, Sullivan & Cromwell LLP, 125 Broad Street, New York, NY 10004 (Attn: Michael H. Torkin, Esq. and Mimi Wu, Esq.); and (x) the Office of the United States Trustee for the District of Delaware, 844 King Street, Suite 2207, Wilmington, Delaware 19801 (Attn: Jane M. Leamy, Esq.) (collectively, the "Objection Recipients") by **January 11, 2017 at 12:00 p.m. (Prevailing Eastern Time)** (the "Sale Objection Deadline"). All Sale Objections not otherwise resolved by the parties prior thereto shall be heard at the Sale Hearing. **THE FAILURE OF ANY PARTY TO TIMELY FILE WITH THE BANKRUPTCY COURT AND SERVE ON THE OBJECTION RECIPIENTS A SALE OBJECTION FOREVER SHALL BE BARRED FROM ASSERTING, AT THE APPLICABLE SALE HEARING OR THEREAFTER, ANY OBJECTION TO THE RELIEF REQUESTED IN THE MOTION, OR TO THE CONSUMMATION AND PERFORMANCE OF THE APPLICABLE SALE TRANSACTION(S) CONTEMPLATED BY AN APPLICABLE ASSET PURCHASE AGREEMENT WITH A SUCCESSFUL BIDDER, INCLUDING THE TRANSFER OF THE ASSETS TO THE APPLICABLE SUCCESSFUL BIDDER(S), FREE AND CLEAR OF ALL LIENS, CLAIMS, INTERESTS, AND ENCUMBRANCES PURSUANT TO SECTION 363(F) OF THE BANKRUPTCY CODE.** Notwithstanding the foregoing or anything herein to the contrary, and as set forth below, the deadline to file an Adequate Assurance Objection in connection with a proposed Sale Transaction shall be **two days** prior to the applicable Sale Hearing.

6. The Sale Hearing will take place on **January 12, 2017 at 11:30 a.m.**, before the Honorable Brendan L. Shannon, Chief United States Bankruptcy Judge, in the Bankruptcy Court, located at 824 N. Market St, Wilmington, DE 19801. The Debtors' presentation to the Bankruptcy Court for approval of a Successful Bid does not constitute the Debtors' acceptance of such bid. The Debtors will have accepted the terms of a Successful Bid only when such bid has been approved by the Bankruptcy Court pursuant to a Sale Order.

7. To the extent set forth in the Bidding Procedures, the Debtors reserve the right to, in their reasonable business judgment, and in consultation with the Consultation Parties, modify the Bidding Procedures at any time, including, without limitation, to extend deadlines and proposed dates set forth therein, including extending the Bid Deadline, modifying the date of the Auction, and adjourning and/or rescheduling the Sale Hearing. This Notice is subject to the full terms and conditions set forth in the Bidding Procedures Order and the Bidding Procedures.

8. Parties interested in receiving additional information, including, with regard to the Sale, the Assets, the Auction or the Bidding Procedures may make requests to the Debtors' investment banker, Houlihan Lokey, Inc., 245 Park Avenue, 20th Fl., New York, NY 10167 (Attn: Saul Burian (SBurian@HL.com) and Devin Shanahan (DShanahan@hl.com)).

9. Copies of the Motion, the Bidding Procedures Order and the Bidding Procedures may be obtained free of charge at the website dedicated to the Debtors' chapter 11 cases maintained by their claims and noticing agent and administrative advisor, Prime Clerk LLC (<http://cases.primeclerk.com/americanapparel>). Copies of these documents are also available for

inspection during regular business hours at the Office of the Clerk of the Bankruptcy Court, located at 824 N. Market Street, 3rd Floor, Wilmington, DE 19801, and may be viewed for a fee on the internet at the Bankruptcy Court's website (<http://www.deb.uscourts.gov/>) by following the directions for accessing the ECF system on such website.

Dated: December 5, 2016
Wilmington, Delaware

PACHULSKI STANG ZIEHL & JONES LLP

/s/ Laura Davis Jones

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