
CANADA
PROVINCE OF QUEBEC
DISTRICT OF QUEBEC
DIVISION: 01-MONTREAL
S.C.: 500-11-051625-164
500-11-051624-167

SUPERIOR COURT
(Commercial Division)

IN THE MATTERS OF THE NOTICES OF INTENTION AND OF THE INTERIM RECEIVERSHIP OF: AMERICAN APPAREL CANADA RETAIL INC.
- and -

AMERICAN APPAREL CANADA WHOLESALE INC.

Debtors

- and -

KPMG INC.

Trustee/Interim Receiver

Third Report of the Trustee pursuant to section 50.4(7) of the Bankruptcy and Insolvency Act (“BIA”) and Report of the Interim Receiver pursuant to section 47.1(2) of the BIA on his administration to date (“Third Report of the Trustee and the Interim Receiver”).

I, Dev A. Coossa, CIRP, LIT, of KPMG Inc., in my capacity as Trustee under the Notices of Intention filed in respect of each of the Debtors and as Interim Receiver of the Debtors, report to this honorable Court as follows.

INTRODUCTION

1. American Apparel Canada Retail Inc. (“**AA Retail**”) and American Apparel Canada Wholesale Inc. (“**AA Wholesale**”, and, together with AA Retail, the “**Company**” or “**American Apparel**”), each filed on November 9, 2016, a Notice of Intention to make a Proposal (“**NOI**”) under the provisions of the BIA, and KPMG Inc. was named as Trustee to the NOI (in such capacity, the “**Trustee**”).
2. On November 11, 2016, the Debtors filed a Motion for the Appointment of an Interim Receiver of the Debtors’ assets (the “**I/R Motion**”), by which the appointment of KPMG Inc. as interim receiver was sought, the whole pursuant to section 47.1 of the BIA. On the same date, an appointment order (“**Order**”) was issued by the Court naming KPMG Inc. as Interim Receiver to the Debtors’ assets (in such capacity, the “**Interim Receiver**”).

3. The Interim Receiver was appointed mainly to support the Company during its proceedings as American Apparel's US affiliates (collectively, "**American Apparel US**") became unable to provide important administrative support to the Company on or around the time the NOI was filed. We refer to the First Report (as defined below) and the I/R Motion for additional background on the Interim Receiver's appointment.
4. On December 9, 2016, the Court made an order extending the deadline to file a proposal to January 23, 2017 (the "**First Extension Period**"). In support of the Company's motion to seek the First Extension Period ("**First Motion**"), KPMG Inc., on December 8, 2016, filed its Report of the Trustee pursuant to s. 50.4(7) of the BIA and Report of the Interim Receiver pursuant to s. 47.1(2) of the BIA on his administration to date (the "**First Report**")
5. On January 18, 2017, the Company filed a motion seeking an order extending the deadline for the filing of a proposal to March 9, 2017 (the "**Second Motion**"). In support of the Second Motion, KPMG Inc. filed its Report of the Trustee pursuant to s. 50.4(7) of the BIA and Report of the Interim Receiver pursuant to s. 47.1(2) of the BIA on his administration to date (the "**Second Report**"). In addition, the Company (with the assistance of the Interim Receiver and Merchant Retail Solutions ULC ("**MRS**" – the Interim Receiver's agent to assist in the Store-Wind Down process as defined below) prepared and filed its projected cash flow statement for the period January 15, 2017 to March 11, 2017 (the "**Second Extension Cash Flow**")
6. On January 23, 2017, the Court made an order extending the deadline to file a proposal to March 9, 2017 (the "**Second Extension Period**").
7. On March 6, 2017, the Company filed a motion ("**Third Motion**") seeking an order extending the deadline for the filing of a proposal to April 24, 2017 (the "**Third Extension Period**").
8. Reference is made to the Third Motion for additional background and other information on the Company and its proceedings.
9. The purpose of this Third Report of the Trustee and the Interim Receiver is to provide the Court with information on the following:
 - a) The Company's activities since the date of the Second Report;
 - b) The Interim Receiver's actions since the date of the Second Report;
 - c) The Company's actual cash flows between January 15, 2017 and March 4, 2017, compared to the projected amounts as per the Second Extension Cash Flow;
 - d) The Company's projected cash flows for the period commencing March 5, 2017 until April 29, 2017;
 - e) The reasons for which the Trustee/Interim Receiver supports the relief sought by the Company in the context of the Motion;
 - f) The recommendations of the Trustee/Interim Receiver.
10. Since KPMG Inc.'s appointment, its responsibilities and activities as Trustee and as Interim Receiver have been comingled. Therefore, for the purpose of this report and to facilitate the reading thereof, we refer jointly to the Trustee and the Interim Receiver as the Interim Receiver.

THE COMPANIES' ACTIVITIES SINCE THE DATE OF THE SECOND REPORT

American Apparel US

11. As noted in the Second Report, shortly before the filing of the NOI, American Apparel US, which was historically the Company's sole inventory supplier and provided it with corporate administrative services, advised American Apparel that it was no longer able to continue supplying inventory and providing administrative services. Furthermore, on or around the same date, American Apparel US sent the Company a notice cancelling the license allowing the usage of the trade marks in Canada, but advised in writing that it would take no action against the Company if it continued using the trade marks to dispose of the inventory on hand for a period of 90 days (ending February 9, 2017).
12. In the light of the above noted limitations related to the procurement of goods and use of the intellectual property, the Debtor determined that the best course of action would be to undertake an orderly wind-down of its Canadian stores ("**Store Wind-Down**") and appoint the Interim Receiver. The Store Wind-Down was supported by the Interim Receiver's agent, Merchant Retail Solutions ("**MRS**"), a specialist in retail wind-downs. As noted below, as at the date of this Third Report, the Store Wind-Down has been completed and all garment inventories have been liquidated.
13. On November 14, 2016, American Apparel US filed for protection under Chapter 11 of Title 11 of the United States Bankruptcy Code ("**Chapter 11 Proceedings**"), and implemented a sales process for all of its operations and assets ("**Sale Process**"). The Sale Process culminated in the acceptance and Court approval on January 12, 2017 of a "stalking-horse" offer made by Montreal based Gildan Activeware SRL (the "**Gildan Offer**") on the day prior to the commencement of the Chapter 11 Proceedings. The Gildan Offer did not include any Canadian stores, operations or other assets.
14. American Apparel has a significant unsecured claim against American Apparel US (the "**US claim**"). As at the date of this report, the Debtor in conjunction with its legal advisors, are in the process of determining the realisation value of the US Claim, if any, give the Chapter 11 Proceedings.

Canadian operations

15. Since the date of the Second Report, American Apparel, under the supervision of the Interim Receiver, and with the assistance of the Interim Receiver's agent, MRS, has completed the wind down of the remaining 20 stores. The last store was vacated on February 3, 2017.
16. All employees related to the remaining stores have been terminated at the premises have been turned over to the respective landlords. All leases related to the remaining stores had been terminated by mid-January 2017 as noted in the Second Report.
17. As noted below, American Apparel, with the assistance of the Interim Receiver is now completing the wind-down of its corporate and administrative activities.

THE INTERIM RECEIVER'S ACTIONS SINCE THE DATE OF THE SECOND REPORT

Safeguarding of assets and statutory matters

18. Since the date of the Second Report, the Interim Receiver took (and, as applicable, continues to take) the following actions relating to the safeguarding of assets and communications with stakeholders:
- a) Obtaining on a daily basis, the Company's sales and inventory figures directly from the Company's systems;
 - b) Reconciliation of daily sales with the deposits made in the Company's operating bank accounts, including the deposits resulting from electronic payment processing by the Company's payment processing provider, Global Payments;
 - c) Investigating any variances between the Company's sales and deposits, in particular with Global Payments and taking measures to recover any short deposits or other unfavorable variances;
 - d) Following up with store managers to ensure deposits are made on a timely basis;
 - e) Responding to queries received on the dedicated hot-line and email address from the Company's stakeholders (employees, customers, suppliers and landlords);
 - f) Performing periodic test inventory counts, as appropriate, at certain stores to validate the inventory quantities and evaluate internal controls over stock keeping, and supervising re-counts as necessary;
 - g) Continuing to monitor the Company's disbursements and approving proposed disbursements;
 - h) Communicating with third parties to recover deposits made by the Company prior to the date of the NOI, for services which are no longer required;
 - i) Assisting the Company in making its statutory sales tax declarations and making the payments of sales taxes owing to the various government entities (Federal and Provincial);
 - j) Reviewing accounts receivable collections on a daily basis;
 - k) Communicating with the Company's utility providers to secure the continuity of service to the Company's various locations;
 - l) Reviewing on a weekly basis the Company's actual cash flows compared to the Second Extension Cash Flow.
 - m) Assisting the Company in determining the estimated severance claims for employees that have been terminated;

Store Wind Down

19. Since the date of the Second Report and until the completion of the Store Wind-Down, the Interim Receiver has taken the following actions:
- a) Attending update calls with representatives of MRS and with the District Managers to address operating issues such as staffing, sales and stock availability;
 - b) Attending weekly update calls with representatives of MRS to discuss strategic matters such as weekly sales and discounts, liquidation timeline and financial results;

- c) Continually monitoring the gross margins generated by various inventory categories to evaluate the results of the adopted merchandising strategy, particularly discount levels;
- d) Coordinating the deployment of transferring certain excess inventories ("**Warehouse Goods**") to the appropriate stores. These inventories have ultimately been liquidated;
- e) Disclaiming certain residual leases related to storage units located adjacent to three of the Company's stores;
- f) Notifying the employees of the Per-Diem Stores (those 3 stores that the Interim Receiver had made per-diem occupancy arrangements with the landlords) of the termination of their employment, all in accordance with provincial legislation;
- g) Notifying the Company's retail support employees, mainly the district managers and their teams, of the termination of their employment;
- h) Coordinating with the certain third parties (mainly lessors), the return of leased goods;
- i) Coordinating with the Company and MRS, the orderly exit of the remaining stores, including obtaining the appropriate receipt and releases from the various landlords;
- j) Communicating with the Company's insurers to terminate coverage on the stores which were vacated;
- k) The orderly liquidation has yielded approximately \$9,362,000 million in gross receipts for the period from November 11, 2016 through February 1, 2017, in respect of AA Retail and \$318,000 in existing receivables as at March 4, 2017 in respect to AA Wholesale.

Head-Office

- 20. As noted above, the Company completed its Store Wind-Down process at the beginning of February 2017, including laying off all its store employees and retail support personnel as well as returning the various store premises to the respective landlords. The Company remains in occupancy of its head-office as of the date of this Third Report.
- 21. Since the date of the Second Report, the Interim Receiver has, and continues to take the following steps related to the administration of the remaining affairs of the Debtor :
 - a) Communicating with American Apparel's account debtors to collect amounts due;
 - b) Sending Notices by Debtor to Disclaim or Resiliate an Agreement pursuant to section 65.11 of the BIA ("**Contract Disclaimers**") to various third parties having agreements for the leasing of assets or other services with the Company (the "**Contract Parties**");
 - c) Communicating with the Contract Parties and communicating the orderly retrieval of their assets, as applicable;
 - d) On February 20, 2017, preparing and sending a Notice to Disclaim or Resiliate a Lease pursuant to section 65.2 of the BIA ("**Lease Disclaimer(s)**") to the Company's head-office landlord. In conjunction with the sending of the Lease Disclaimer, the Interim Receiver entered into an agreement with the head-office landlord for per-diem occupancy in the event that additional time would be required by the Interim Receiver to vacate the Company's head-office;
 - e) Assisting the Company in making an inventory of its physical books and records and determining those books and records to be retained;

- f) Coordinating with the Company and representatives of American Apparel US for the creation of a backup of the Company's electronic books and records. Certain of the Company's information systems are housed and managed by American Apparel US;
- g) Assisting the Company in making an inventory of its owned computer and office equipment and furniture (the "**Office Equipment**");
- h) Soliciting offers for the Office Equipment from several liquidators and auctioneers;
- i) Coordinating with the Company in returning certain assets used in the stores to their owner, American Apparel US;
- j) Communicating with various third parties (utilities, couriers), from whom services are no longer required, to obtain a refund of security deposits made with them;
- k) Assisting the Company in making an inventory of certain assets which may be alleged as third party property (the "**Potential Third Party Assets**") and obtaining an evaluation for the Third Party Assets;
- l) Communicating with representatives of American Apparel US in regards to the Potential Third Party Assets to obtain additional information as to their potential ownership;

Landlord Matters

- 22. As noted in the Second Report, there was a dispute between the Company and one of its landlords, namely Cadillac Fairview, in relation to the prepayment of 2017 property taxes (the "**2017 Prepaid Tax**") which the landlord's counsel alleged were part of the Company's current obligations. The Interim Receiver contended that the 2017 Prepaid Taxes were related to a period in which the Company would not occupy the premises, and therefore were not in the nature of a current obligation.
- 23. Following certain discussions between the Interim Receiver and Cadillac Fairview's legal counsel, on or around December 9, 2016, it was agreed by the two parties that the Interim Receiver would, pending resolution of this disagreement, reserve for the amount of 2017 Prepaid Taxes deducted from the monthly rent payments made by the Interim Receiver (the "**2017 Prepaid Tax Reserve**"). The 2017 Prepaid Tax Reserve totals approximately \$37,000 and the funds were transferred by the Interim Receiver into an escrow bank account which was set up solely for that purpose.
- 24. On February 28, 2017, Cadillac Fairview's counsel advised the Interim Receiver, in writing, that the 2017 Prepaid Taxes would not be claimed as a current obligation. Consequently, the 2017 Prepaid Tax Reserve was returned to the Debtor patrimony.

CASH FLOW RESULTS RELATIVE TO PROJECTIONS

- 25. Cash receipts and disbursements for the seven week period ended between January 15, 2017 and March 4, 2017 as compared to the Second Extension Cash Flow, are summarized in the following table.

| American Apparel Canada Wholesale Inc. & American Apparel Canada Retail Inc. (collectively, the "Company") Variance Analysis (Actuals vs. Projected Cash Flows) For the period starting on January 15, 2017 and ending March 4, 2017 in CAD \$000's | | | |
|---|----------------|----------------|--------------|
| | Actual | Forecast | Variance |
| Cash Receipts | | | |
| Retail Sales Collections | 845 | 584 | 261 |
| Accounts Receivable Collections - Wholesale | 115 | - | 115 |
| Total Receipts | 960 | 584 | 376 |
| Cash Disbursements | | | |
| Payroll and Benefits | 665 | 649 | (16) |
| Occupancy Costs | 135 | 290 | 155 |
| Operating Costs | 314 | 428 | 113 |
| Security Deposits | - | - | - |
| Restructuring Fees | 415 | 479 | 64 |
| Sales Tax Remittances (Refund) | 592 | 38 | (553) |
| Transfer of 2017 prepaid tax reserve | (38) | - | 38 |
| Total Disbursements | 2,083 | 1,884 | (199) |
| Net Cash Flow | (1,122) | (1,300) | 178 |
| Cash Position | | | |
| Opening Cash Position (Net of Outstanding Cheques) | 4,592 | 4,592 | (0) |
| Net Cash Flow | (1,122) | (1,300) | 178 |
| Closing Cash Position | 3,470 | 3,292 | 178 |

26. As at March 4, 2017, the Companies' cash balance (on a book basis) was approximately \$3.470 million, net of checks in circulation and accruals of approximately \$134,000, primarily related to occupancy costs and restructuring fees.
27. The net cash flow during the Second Extension Cash Flow period was approximately \$178,000 higher than projected. The primary reasons for the favourable net cash flow variance are summarized below.
- a) Total cash receipts during the period were approximately \$376,000 higher than projected primarily due to higher sales and unexpected receivables collections ;
 - b) Total cash disbursements during the period were approximately \$199,000 higher than projected, mainly due to higher than projected sales tax remittances which were partially offset by lower than projected occupancy and operational costs. Any timing differences expected to reverse have been reflected in the Third Extension Cash Flow.
28. The Company has paid, and continues to pay for any goods and services received subsequent to the date of filing of the NOI, including rent, payroll and related deductions, as well as earned vacation pay.

UPDATED CASH FLOW PROJECTIONS

29. The Interim Receiver, with the assistance of the Company, has prepared the updated cash flow projections for the period commencing March 5, 2017 and ending on April 29, 2017 (the "Third Extension Cash Flow"). The Third Extension Cash Flow is summarized in the following table. A copy of the notes to the Third Extension Cash Flow as well as the statutory reports of the Interim Receiver and the Company are attached hereto as Appendix A.

| American Apparel Canada Wholesale Inc. & American Apparel Canada Retail Inc. (collectively, the "Company") Summary Consolidated Cash Flow Projections For the period starting on March 5, 2017 and ending April 29, 2017 in CAD \$000's | | Forecast |
|--|--|-----------------|
| Cash Receipts | | |
| Retail Sales Collections | | - |
| Accounts Receivable Collections - Wholesale | | 15 |
| Total Receipts | | 15 |
| Cash Disbursements | | |
| Payroll and Benefits | | 95 |
| Occupancy Costs | | 43 |
| Operating Costs | | 58 |
| Security Deposits | | - |
| Restructuring Fees | | 195 |
| Sales Tax Remittances (Refund) | | - |
| Transfer of 2017 prepaid tax reserve | | - |
| Total Disbursements | | 392 |
| Net Cash Flow | | (377) |
| Cash Position | | |
| Opening Cash Position (Net of Outstanding Cheques) | | 3,470 |
| Net Cash Flow | | (377) |
| Closing Cash Position | | 3,093 |

30. The Interim Receiver notes the following with respect to the Third Extension Cash Flow:

- a) The Company's opening cash balance as at March 5, 2017 was \$3.470 million, net of checks in circulation and accruals of approximately \$134,000, primarily related to restructuring fees and operating costs;
- b) The Projected Cash Flow reflects that during the reference period, the Company will have total receipts of approximately \$15,000, which consist of wholesale estimated accounts receivable collections and the recovery of miscellaneous deposits;
- c) The projected disbursements during the same period total approximately \$392,000 and reflect, as applicable, all timing related variances, as well as the payment of post-filing expenses, including occupancy costs, payroll and restructuring fees related to the preparation of a proposal.

- d) The negative projected net cash flows over the Third Extension Cash Flow period, amounting to \$377,000, is consistent with the catch up of timing differences in disbursements from the Second Extension Cash Flow period, with the activities to be undertaken for the wind down process and for the preparation of a proposal.
 - e) Finally, it is important to note that the net difference between the estimated closing cash position included in our Second Report of the Trustee for the period ending March 11, 2017 amounted \$3,242,000 million compare to the closing cash position of \$3,093,000 million estimated at the end of the Third Extension Period, represent an amount of \$149,000.
31. Based on the Projected Cash Flow, the Company has sufficient liquidities to fund its operating activities during the Third Extension Period.

REQUEST FOR AN EXTENSION OF THE DELAY

32. The Company is seeking a 45-day extension to file its proposal, as to continue its restructuring process. In particular, it is seeking an order for the Third Extension Period to allow it to:
- a) Collect any remaining accounts receivable;
 - b) Analyze and evaluate its US Claim;
 - c) Determine claims against the Company, in particular by its landlords and employees following the various restructuring measures taken by the Company;
 - d) Determine the terms of a proposal to its creditors, if applicable.
33. The Company is current on its payment of sales taxes, occupation rent and salaries, and has the liquidity to fund ongoing taxes occupation rent, salaries and professional fees through the Third Extension Period.
34. The Interim Receiver, a Court appointed officer, has control over the Company's business and operations, including the control over the receipts and disbursements.
35. The Company and the Interim Receiver are of the view that no creditors are expected to be materially prejudiced by the granting of the Third Extension Period.
36. There is no apparent benefit to the creditors in the case of an immediate bankruptcy in the event the Third Extension Period is not granted. An immediate bankruptcy is likely to result in additional costs and risks in recovering the US Claim.
37. The Company will, during the Third Extension Period, evaluate and analyze the US Claim for the benefit of its creditors.
38. The Company has conducted itself in good faith and with due diligence.

CONCLUSIONS AND RECOMMENDATIONS

39. The Interim Receiver supports the relief sought by the Company in its Motion, for the following reasons:
- a) The Company has and continues to act in good faith and with due diligence;
 - b) Without such relief, it will not be in a position to make a viable proposal in due course;
 - c) No creditor would be materially prejudiced should the Motion be granted.

All of which is respectively submitted this 7th of March, 2017.

KPMG INC., in its capacity
of Trustee and Interim Receiver
of American Apparel Canada Retail Inc.
and American Apparel Canada Wholesale Inc.

A handwritten signature in blue ink, appearing to be 'Dev A. Coossa', written over a horizontal line.

Per: Dev A. Coossa, CIRP, LIT
Partner

**APPENDIX A NOTES TO THE PROJECTED CASH FLOW AND STATUTORY
REPORTS OF THE INTERIM RECEIVER AND THE COMPANY**

CANADA
PROVINCE OF QUEBEC
DISTRICT OF QUEBEC

DIVISION: 01-MONTREAL
S.C.: 500-11-051625-164
SUPER.: 41-2186921

SUPERIOR COURT
COMMERCIAL DIVISION

IN THE MATTER OF THE PROPOSAL OF:

AMERICAN APPAREL CANADA RETAIL INC., body politic and corporate, duly incorporated according to Law, and having its head office at 1550 Metcalfe Street, Suite 1500, in the city of Montreal, province of Quebec H3A 1X6.

| American Apparel Canada Wholesale Inc. & American Apparel Canada Retail Inc. (collectively, the "Company") Summary Consolidated Cash Flow Projections For the period starting on March 5, 2017 and ending April 29, 2017 in CAD \$000's | |
|---|--------------|
| | Forecast |
| Cash Receipts | |
| Retail Sales Collections | - |
| Accounts Receivable Collections - Wholesale | 15 |
| Total Receipts | <u>15</u> |
| Cash Disbursements | |
| Payroll and Benefits | 95 |
| Occupancy Costs | 43 |
| Operating Costs | 58 |
| Security Deposits | - |
| Restructuring Fees | 195 |
| Sales Tax Remittances (Refund) | - |
| Transfer of 2017 prepaid tax reserve | - |
| Total Disbursements | <u>392</u> |
| Net Cash Flow | <u>(377)</u> |
| Cash Position | |
| Opening Cash Position (Net of Outstanding Cheques) | 3,470 |
| Net Cash Flow | (377) |
| Closing Cash Position | <u>3,093</u> |


To be read in conjunction with the attached summary of Notes and Assumptions

Dated March 7, 2017

AMERICAN APPAREL CANADA RETAIL INC.


By: Bennett Nussbaum

KPMG INC.


By: Dev A. Coossa, CIRP, LIT

American Apparel Canada Wholesale Inc. & American Apparel Canada Retail Inc.
(collectively, the "Company")
Consolidated Cash Flow Projections
Summary of Notes and Assumptions

1. The Consolidated Cash Flow Projections (the "**Cash Flow**") have been prepared by the Company, with the assistance of KPMG Inc. ("**KPMG**") acting in its capacity of Trustee under the Notice of Intention to Make a Proposal (the "**NOI**") and Interim Receiver of the Company. The Company has prepared the Cash Flow on a consolidated basis due to the nature of their operations which are comingled and intertwined.
2. On November 9, 2016, the Company filed an NOI under the *Bankruptcy and Insolvency Act*. On November 11, 2016, pursuant to a motion filed by the Company, KPMG has been appointed as Interim Receiver over the assets and affairs of the Company.
3. The Cash Flow is based on unaudited information, solely for the purpose of projecting the cash receipts and disbursements of the Company during the NOI, which commenced on November 9, 2016. The Cash Flow is presented for the period March 5, 2017 to April 29, 2017 (the "**Cash Flow Period**").
4. The Cash Flow has been prepared primarily based on historical trends. The actual timing and amount of receipts and disbursements may vary from the Cash Flow and the variances may be material. The Cash Flow is presented in thousands of Canadian dollars.
5. Payroll and Benefits relate to the Company's sales and administrative employees and include the necessary remittances and fringe benefits.
6. Occupancy Costs include rent payments (including common area maintenance and taxes) for the leased premises and stores, as well as utility costs.
7. Operating Costs include insurance, freight, advertising, credit card fees, store supervision costs, and other miscellaneous operating expenses.
8. Tax remittances include HST and other Provincial taxes, accrued subsequent to the commencement of the NOI.
9. Restructuring fees include payments to the Company's legal counsel and other advisors, the NOI Trustee, the Interim Receiver and its counsel, as well as the agent retained to assist in the liquidation of inventory.
10. The Cash Flow does not include payment of accounts payable arrears for the period before the filing of the NOI.

CANADA
PROVINCE OF QUEBEC
DISTRICT OF QUEBEC

DIVISION: 01-MONTREAL
S.C.: 500-11-051624-167
SUPER.: 41-2186924

SUPERIOR COURT
COMMERCIAL DIVISION

IN THE MATTER OF THE PROPOSAL OF:

AMERICAN APPAREL CANADA WHOLESALE INC.,
body politic and corporate, duly incorporated
according to Law, and having its head office at 1550
Metcalf Street, Suite 1500, in the city of Montreal,
province of Quebec H3A 1X6.

| American Apparel Canada Wholesale Inc. & American Apparel Canada Retail Inc. (collectively, the "Company") Summary Consolidated Cash Flow Projections For the period starting on March 5, 2017 and ending April 29, 2017 in CAD \$000's | |
|---|--------------|
| | Forecast |
| Cash Receipts | |
| Retail Sales Collections | - |
| Accounts Receivable Collections - Wholesale | 15 |
| Total Receipts | 15 |
| Cash Disbursements | |
| Payroll and Benefits | 95 |
| Occupancy Costs | 43 |
| Operating Costs | 58 |
| Security Deposits | - |
| Restructuring Fees | 195 |
| Sales Tax Remittances (Refund) | - |
| Transfer of 2017 prepaid tax reserve | - |
| Total Disbursements | 392 |
| Net Cash Flow | (377) |
| Cash Position | |
| Opening Cash Position (Net of Outstanding Cheques) | 3,470 |
| Net Cash Flow | (377) |
| Closing Cash Position | 3,093 |


To be read in conjunction with the attached summary of Notes and Assumptions

Dated March 7, 2017

AMERICAN APPAREL CANADA WHOLESALE INC.


By: Bennett Nussbaum

KPMG INC.


By: Dev A. Coossa, CIRP, LIT

American Apparel Canada Wholesale Inc. & American Apparel Canada Retail Inc.
(collectively, the "Company")
Consolidated Cash Flow Projections
Summary of Notes and Assumptions

1. The Consolidated Cash Flow Projections (the "**Cash Flow**") have been prepared by the Company, with the assistance of KPMG Inc. ("**KPMG**") acting in its capacity of Trustee under the Notice of Intention to Make a Proposal (the "**NOI**") and Interim Receiver of the Company. The Company has prepared the Cash Flow on a consolidated basis due to the nature of their operations which are comingled and intertwined.
2. On November 9, 2016, the Company filed an NOI under the *Bankruptcy and Insolvency Act*. On November 11, 2016, pursuant to a motion filed by the Company, KPMG has been appointed as Interim Receiver over the assets and affairs of the Company.
3. The Cash Flow is based on unaudited information, solely for the purpose of projecting the cash receipts and disbursements of the Company during the NOI, which commenced on November 9, 2016. The Cash Flow is presented for the period March 5, 2017 to April 29, 2017 (the "**Cash Flow Period**").
4. The Cash Flow has been prepared primarily based on historical trends. The actual timing and amount of receipts and disbursements may vary from the Cash Flow and the variances may be material. The Cash Flow is presented in thousands of Canadian dollars.
5. Payroll and Benefits relate to the Company's sales and administrative employees and include the necessary remittances and fringe benefits.
6. Occupancy Costs include rent payments (including common area maintenance and taxes) for the leased premises and stores, as well as utility costs.
7. Operating Costs include insurance, freight, advertising, credit card fees, store supervision costs, and other miscellaneous operating expenses.
8. Tax remittances include HST and other Provincial taxes, accrued subsequent to the commencement of the NOI.
9. Restructuring fees include payments to the Company's legal counsel and other advisors, the Proposal Trustee, the Interim Receiver and its counsel, as well as the agent retained to assist in the liquidation of inventory.
10. The Cash Flow does not include payment of accounts payable arrears for the period before the filing of the NOI.

CANADA
PROVINCE OF QUEBEC
DISTRICT OF QUEBEC
Division N°: 01 - Montréal
Court N°: 500-11-051625-164
Estate N°: 41-2186921

SUPERIOR COURT
(Commercial Division)

IN THE MATTER OF THE PROPOSAL OF:

AMERICAN APPAREL CANADA RETAIL INC., body politic and corporate, duly incorporated according to Law, and having its head office at 1550 Metcalfe Street, Suite 1500, in the city of Montreal, province of Quebec H3A 1X6.

**REPORT ON CASH-FLOW STATEMENT
BY THE PERSON MAKING THE PROPOSAL
(Paragraph 50(6)(c) and 50.4(2)(c) of the Act)**

The management of AMERICAN APPAREL CANADA RETAIL INC., has/have developed the assumptions and prepared the attached statement of projected cash-flow of the insolvent person, as of the 7th day of March 2017, consisting of the period from March 5, 2017 to April 29, 2017.

The hypothetical assumptions are reasonable and consistent with the purpose of the projection described in the Notes, and the probable assumptions are suitably supported and consistent with the plans of the insolvent person and provide a reasonable basis for the projection. All such assumptions are disclosed in the Notes.

Since the projections is based on assumptions regarding future events, actual results will vary from the information presented, and the variations may be material.

The projection has been prepared solely for the purpose described in the Notes, using a set of hypothetical and probable assumptions set out in the Notes. Consequently, readers are cautioned that it may not be appropriate for other purposes.

Dated at Montreal, this 7th day of March 2017.

AMERICAN APPAREL CANADA RETAIL INC.



Bennett Nussbaum

CANADA
PROVINCE OF QUEBEC
DISTRICT OF QUEBEC
Division N°: 01 - Montreal
Court N°: 500-11-051624-167
Estate N°: 41-2186924

SUPERIOR COURT
(Commercial Division)

IN THE MATTER OF THE PROPOSAL OF:

AMERICAN APPAREL CANADA WHOLESALE INC., body politic and corporate, duly incorporated according to Law, and having its head office at 1550 Metcalfe Street, Suite 1500, in the city of Montreal, province of Quebec H3A 1X6.

**REPORT ON CASH-FLOW STATEMENT
BY THE PERSON MAKING THE PROPOSAL
(Paragraph 50(6)(c) and 50.4(2)(c) of the Act)**

The management of AMERICAN APPAREL CANADA WHOLESALE INC., has/have developed the assumptions and prepared the attached statement of projected cash-flow of the insolvent person, as of the 7th day of March 2017, consisting of the period from March 5, 2017 to April 29, 2017.

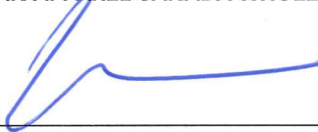
The hypothetical assumptions are reasonable and consistent with the purpose of the projection described in the Notes, and the probable assumptions are suitably supported and consistent with the plans of the insolvent person and provide a reasonable basis for the projection. All such assumptions are disclosed in the Notes.

Since the projections is based on assumptions regarding future events, actual results will vary from the information presented, and the variations may be material.

The projection has been prepared solely for the purpose described in the Notes, using a set of hypothetical and probable assumptions set out in the Notes. Consequently, readers are cautioned that it may not be appropriate for other purposes.

Dated at Montreal, this 7th day of March 2017.

AMERICAN APPAREL CANADA WHOLESALE INC.



Bennett Nussbaum

CANADA
PROVINCE OF QUEBEC
DISTRICT OF QUEBEC

Division N°: 01 - Montréal
Court N°: 500-11-051625-164
Estate N°: 41-2186921

SUPERIOR COURT
(Commercial Division)

IN THE MATTER OF THE PROPOSAL OF:

AMERICAN APPAREL CANADA RETAIL INC., body politic and corporate, duly incorporated according to Law, and having its head office at 1550 Metcalfe Street, Suite 1500, in the city of Montreal, province of Quebec H3A 1X6.

TRUSTEE'S REPORT ON CASH-FLOW STATEMENT
(Paragraphs 50(6)(b) et 50.4(2)(b) of the Act)

The attached statement of projected cash flow of AMERICAN APPAREL CANADA RETAIL INC., as of the 7th day of March 2017, consisting of the period from March 5, 2017 to April 29, 2017, has been prepared by the management of the insolvent person for the purpose described in the Notes, using the probable and hypothetical assumptions set out in the Notes.

Our review consisted of inquiries, analytical procedures and discussions related to information supplied to us by the management and employees of the insolvent person. Since hypothetical assumptions need not be supported, our procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the projection. We have also reviewed the support provided by management for the probable assumptions and the preparation and presentation of the projection.

Based on our review, nothing has come to our attention that causes us to believe that, in all material respects,

- a) the hypothetical assumptions are not consistent with the purpose of the projection;
- b) as at the date of this report, the probable assumptions developed are not suitably supported and consistent with the plans of the insolvent person or do not provide a reasonable basis for the projection, given the hypothetical assumptions; or
- c) the projection does not reflect the probable and hypothetical assumptions.

Since the projection is based on assumptions regarding future events, actual results will vary from the information presented even if the hypothetical assumptions occur, and the variations may be material. Accordingly, we express no assurance as to whether the projection will be achieved.

The projection has been prepared solely for the purpose described in the Notes, and readers are cautioned that it may not be appropriate for other purposes.

Dated at Montreal, this 7th day of March 2017.

KPMG INC. - Trustee



Dev A. Coossa
600, de Maisonneuve Blvd. West, Suite 1500
Montréal (Québec) H3A 0A3
Phone : (514) 840-2100 Fax : (514) 840-2121

CANADA
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IN THE MATTER OF THE PROPOSAL OF:

AMERICAN APPAREL CANADA WHOLESALE INC., body
politic and corporate, duly incorporated according to Law,
and having its head office at 1550 Metcalfe Street, Suite 1500,
in the city of Montreal, province of Quebec H3A 1X6.

TRUSTEE'S REPORT ON CASH-FLOW STATEMENT
(Paragraphs 50(6)(b) et 50.4(2)(b) of the Act)

The attached statement of projected cash flow of AMERICAN APPAREL CANADA WHOLESALE INC., as of the 7th day of March 2017, consisting of the period from March 5, 2017 to April 29, 2017, has been prepared by the management of the insolvent person for the purpose described in the Notes, using the probable and hypothetical assumptions set out in the Notes.

Our review consisted of inquiries, analytical procedures and discussions related to information supplied to us by the management and employees of the insolvent person. Since hypothetical assumptions need not be supported, our procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the projection. We have also reviewed the support provided by management for the probable assumptions and the preparation and presentation of the projection.

Based on our review, nothing has come to our attention that causes us to believe that, in all material respects,

- a) the hypothetical assumptions are not consistent with the purpose of the projection;
- b) as at the date of this report, the probable assumptions developed are not suitably supported and consistent with the plans of the insolvent person or do not provide a reasonable basis for the projection, given the hypothetical assumptions; or
- c) the projection does not reflect the probable and hypothetical assumptions.

Since the projection is based on assumptions regarding future events, actual results will vary from the information presented even if the hypothetical assumptions occur, and the variations may be material. Accordingly, we express no assurance as to whether the projection will be achieved.

The projection has been prepared solely for the purpose described in the Notes, and readers are cautioned that it may not be appropriate for other purposes.

Dated at Montreal, this 7th day of March 2017.

KPMG INC. - Trustee



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