

## American Apparel gets a \$300-million takeover bid

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American Apparel Inc. has received a \$300-million takeover bid from an investor group supporting the return of ousted Chief Executive Dov Charney.

Hagan Capital Group and Silver Creek Capital Partners, the investors behind the bid, said that this offer was an “upward revision” from a bid submitted in December, according to a statement Monday. The Times reported last week that the initial offer was worth about \$200 million.

American Apparel said Monday that it had gotten approval from all the voting groups for the reorganization plan submitted when it filed for Chapter 11 bankruptcy protection in October. The plan would take the company private and hand nearly 100% control to its largest bondholders.

The competing deals mean a potential fight for the future of the Los Angeles company, whose fate is scheduled to be decided by a



American Apparel received a \$300-million takeover offer Monday, the same day that its creditors approved its own reorganization deal. (David McNew / Getty Images)

Bankruptcy Court judge Jan. 20. It also marked a possible path of return for Charney, who was fired in 2014 after an investigation uncovered allegations of inappropriate behavior and misuse of company funds.

“It is a desperate bid to derail that [reorganization] plan and come away with the brass ring,” said Lloyd Greif, chief executive of Los Angeles investment banking firm Greif & Co. “If nothing else, Dov Charney has proven he is a cat with nine lives.”

Chad Hagan, managing partner of Hagan Capital, said that Charney would return as co-CEO under the takeover offer. Hagan had been looking at American Apparel for a few years and contacted Charney about putting together a deal after the company filed for bankruptcy, he said.

“We kept an eye on it, and the opportunity came up” to make an offer, he said.

Hagan said the problems plaguing American Apparel are purely operational. The brand remains as



The takeover bid would return ousted Chief Executive Dov Charney to American Apparel. (Gary Friedman / Los Angeles Times)

powerful as ever and worthy of investment, he said.

The takeover offer includes \$130 million from the investors, including \$90 million of new stock and \$40 million from a new loan. The company would leave bankruptcy with about \$160 million in new equity and cash and a new \$50-million credit line, the statement said. American Apparel would have about \$90 million in equity, compared with about \$75 million under the reorganization plan.

The investors said that senior lenders would fully recover their money, versus 33% to 77% under the other plan. Unsecured creditors would be paid 10 times more com-

pared with the reorganization deal, the statement said. The investment would be overseen by PressPlay Group, the private equity arm of PressPlay Global, which is backed by Hagan and Silver Creek.

“We are here for the long run,” Hagan said. “We are bullish on American Apparel; we are bullish on Dov Charney.”

But the deal will have to contend with the reorganization plan that American Apparel said Monday has been unanimously approved by all creditors. Under the agreement, more than \$200 million in bonds would be eliminated in exchange for shares in the reorganized company — a transaction known as a debt-for-equity swap.

The participating lenders are led by Monarch Alternative Capital.

The plan has sweetened the pot for unsecured creditors, who will share in \$2.5 million set aside for them, compared with the original \$1 million offered. The company also secured an additional \$40 million of capital through a new credit line.

American Apparel released a statement saying that it “evaluates all bids consistently,” but it “remains focused on pursuing the completion of its financial restructuring following its planned Bankruptcy Court hearing at the end of this month.”

Andrew Herenstein, co-founder of Monarch, said in a statement that the creditor vote “marks a significant milestone in the revitalization of American Apparel.”

Analysts said the bankruptcy judge would probably delay making a final decision until he has reviewed the takeover offer.