



January 4, 2024

To: Outerstuff LLC Stakeholders

Re: Style Avenue Factory Closing & Worker Compensation

This is in response to the WRC's (Worker Rights Consortium) Report dated December 12, 2023 (the "Report"), regarding severance and wages owed to workers at Style Avenue, El Salvador Supplier of Licensed Apparel to Outerstuff LLC ("Outerstuff").

Outerstuff takes, and has consistently historically taken, workers' rights very seriously. As a Participating Company of the FLA (Fair Labor Association), Outerstuff has been implementing both the FLA and university codes and principles at a high level since 2010. Outerstuff has demonstrated its commitment towards protecting workers' rights very seriously. WRC has publicly acknowledged positive outcomes for workers in EL Salvador, Honduras, Guatemala, and Bangladesh resulting from Outerstuff's collaborating with other brands and actions taken on its own.

WRC's Report does not accurately state the facts concerning Outerstuff's relationship with Style Avenue and misrepresents or omits key factors in a manner that is decidedly prejudicial and unbalanced. WRC has incorrectly asserted that Outerstuff is obligated to pay back wages totaling approximately \$300,000.00 owed to Style Avenue workers for the period from March 2023 until the closure of the factory at the end of May 2023, and severance pay totaling approximately \$1,500,000.00, calculated from each employee's hiring date – many of which occurred as early as 2007-2012, long before Outerstuff ever did any business with Style Avenue - through the closing of the factory in May 2023. Until December 2020, Outerstuff only ordered Style Avenue goods through a third-party agent, Star Land Group which is not mentioned anywhere in the Report. WRC communicated during an in-person meeting that they only look at the previous 12 months of activity, and that irrespective of who else might have been there previously, those 12 months determine who has full obligation of all historical severance payments. To borrow a phrase from their Report – this is preposterous.

Further, the Report is replete with "observations" that are patently misleading, such as statements that Outerstuff does not own any factories producing collegiate product (twice referenced in italics for emphasis), as if Outerstuff does so to avoid responsibility to workers should a situation such as this were to occur. As the WRC is well aware, Outerstuff does not own any factories for any products produced, period. This is Outerstuff's core business model from a cost/benefit perspective. To imply



that Outerstuff does so to shirk responsibility for workers' rights in this unlikely situation with Style Avenue is not only preposterous, but outright false. The Report references instances alleging that Outerstuff should have known something like this could occur at Style Avenue (even though the last WRC Report was issued in 2015). When WRC was queried during the in-person meeting as to what Outerstuff could have and/or should have done even if it had notice, there was no response.

We believe that Outerstuff's obligation was to monitor compliance by Style Avenue with the Code of Conduct and take reasonable actions to arrange for the manufacturer to meet its obligations after Outerstuff learned of the manufacturer's violation of the Code. Outerstuff met its obligations under the Code given all of the facts, including, but not limited to: (i) Outerstuff issued its last order from Style Avenue in May 2022, a year before the factory closed; (ii) Outerstuff received its last shipment of goods (a nominal amount of 1008 units) from Style Avenue in January 2023, prior to the closure of the factory in May 2023; (iii) Outerstuff first learned of Style Avenue's failure to pay wages and benefits in February 2023 when it was notified by WRC of the violations; and (iv) immediately after it learned of Style Avenue's violations, Outerstuff retained - at its expense - an independent El Salvadorean counsel to audit Style Avenue's records and monitor payments of wages by Style Avenue with the Ministry of Labor, which continued through April 2023. Given these facts, Outerstuff believes that it is not required to pay the severance and 90 days of back wages demanded by WRC.

WRC has acknowledged in correspondence with Outerstuff's counsel that Outerstuff has had a well-documented record of amicable cooperation and collegiality with WRC over many years, but this is not reflected in the Report - which characterizes Outerstuff as an "outlier". For example, in 2021 Outerstuff was instrumental with other customers of Elim (Guatemala) in arranging workers to receive their wages. When queried during the recent in-person meeting between WRC and Outerstuff as to why previous cooperation was not referred to in the Report, Outerstuff was told that this was "not relevant to this particular instance". When Outerstuff's representatives then asked why other examples of actions taken by other companies were included if under the same reasoning they too had no bearing on this particular instance, there was no response. Outerstuff believes this is yet another example where the Report has inconsistencies and misrepresentations clearly meant to convey a disproportionately negative view of Outerstuff.

Despite WRC's attempt to paint Outerstuff as an "outlier", which is factually incorrect, Outerstuff initiated the in-person meeting with WRC to see if some settlement can be reached that would provide some portion of the unpaid severance, wages and benefits to Style Avenue's former workers.

Appearing below is a more detailed summary of Outerstuff's relationship with Style Avenue during the



two-year period prior to closure of the Style Avenue factory, and the steps taken by Outerstuff to monitor Style Avenue's payments to its workers, and the financial losses totaling over \$900,000.00 suffered by Outerstuff resulting from Style Avenue's business problems, as well as lost orders and inventory sell-off.

From the beginning of 2021, Style Avenue struggled with maintaining payments to textile mills, trim suppliers, screen printers, shipping logistics and workers. Style Avenue's owners often (sometimes monthly) requested advance payments and loans from Outerstuff.

- **During the 2-year period prior to December 2022, Outerstuff advanced more than \$900,000 to Style Avenue as advance payment for goods it never received and loans. Without such payments and loans Style Avenue would surely have closed and its workers would have lost their jobs.**

Style Avenue's business problems resulted in late shipments, customer discounts, cancelled orders, penalties from customers, and workers not receiving their wages and benefits on time. Style Avenue continued its requests for financial assistance from OS through the 4th quarter of 2022. Outerstuff LLC was still experiencing a high rate of canceled orders and penalties from customers.

- **Outerstuff LLC concluded that it could not continue to place orders with Style Avenue, and Outerstuff did not issue any new orders to Style Avenue after May 2022. Style Avenue's last shipment to Outerstuff LLC was in early January 2023. Style Avenue closed its factory on May 29, 2023.**

WRC incorrectly asserts in its Report that Outerstuff was on notice that Style Avenue's "noncompliance with Salvadoran law and licensor standards . . . remained a recurring problem" and cites to "previously published WRC reports on labor rights violations at Style Avenue". A review of WRC's website shows that the last such WRC report was issued in *August 2015*, involving unpaid wages totaling \$11,835.15. The WRC website also refers to a report issued in July 2017 by the Fair Labor Association about a response to a third-party complaint alleging labor standards violations, noting that Outerstuff and College Kids, another Style Avenue customer, participated in the development of a mediation plan for Style Avenue.

No other reports were issued by WRC regarding labor issues involving Style Avenue until WRC provided notice of wage issues to Outerstuff in February 2023 – long after Outerstuff placed its last order with Style Avenue for a nominal amount of goods in May 2022, and after Outerstuff's receipt in January 2023 of a minor shipment of goods from Style Avenue.

From July 2017 until February 2023 Outerstuff did not have notice of any wage violations at Style Avenue's factory, and Outerstuff had ceased to place any new orders with Style Avenue after May 2022. Until December 2020, Outerstuff placed all of its orders through Star Land



Group, a third party agent.

In February 2023, Outerstuff hired an independent attorney recognized in El Salvador by many stakeholders as a highly skilled and ethical professional expert in labor matters, including by WRC and FLA. The attorney conducted a financial forensic audit on payments owed to Style Avenue's workers. Outerstuff continued to share this information with the FLA and the WRC. Contrary to the assertion in WRC'S Report, Outerstuff did not take this action so that the Style Avenue owner could be released from prison (which WRC incorrectly asserts was asserted by Outerstuff's attorney in correspondence with WRC.)

- **The independent attorney monitored the payments of back wages to be paid to Style Avenue's workers, with Style Avenue and the Ministry of Labor, and as a result of her work, which continued until April 2023, all back wages and benefits owed to Style Avenue's workers through February 2023 were paid, and additional wages and benefits were paid for March and April 2023. All of Ms. O'Brien's fees were paid for by Outerstuff.**

WRC asserts that Outerstuff "allowed" Style Avenue to violate university codes, which is a preposterous allegation given the fact that Outerstuff retained an independent labor attorney as soon as Outerstuff received notice of wage payment issues in February 2023, and all wages were paid through mid-February 2023.

Outerstuff's advances and loans totaled over \$900,000.00 and will never be repaid. It was as a direct result of those advances and loans, and the work of attorney O'Brien, which was paid for by Outerstuff, that Style Avenue continued to employ workers, and the workers received wages owed through February 2023, months after Outerstuff's last orders from Style Avenue and months after Outerstuff received its last shipment of goods from Style Avenue.

WRC asserts that because Outerstuff did not publicly announce the cessation of its relationship with Style Avenue until May 2023, that somehow makes Outerstuff responsible for all severance pay owed to Style Avenue's workers., without regard to its volume of business with Style Avenue. Style Avenue had equipment to manufacture a total of approximately 5.48 million pieces: Style Avenue delivered to Outerstuff a total of 144 pieces in 2021, 744,505 pieces in 2022 and 304 pieces in 2023, from orders placed by Outerstuff in 2021 and through May 2022. No new orders were issued by Outerstuff after May 2022. Thus it was only in 2022 that Outerstuff received anything more than a minuscule amount of goods from Style Avenue and that represented only 13.5% of Style Avenue's capacity, and goods were being produced for other customers. Yet WRC asserts that this makes Outerstuff responsible for all of the severance benefits owed to Style Avenue's workers going back more than a decade before the factory closed.

- **Outerstuff did not own or control Style Avenue. Outerstuff was obligated under university codes**



of conduct to monitor Style Avenue’s payment of wages to its workers. Outerstuff LLC went far beyond its obligations by arranging for and paying a prominent attorney in El Salvador who is recognized as an expert in protecting workers’ rights to make sure that the workers received their wages – this long after Outerstuff stopped ordering goods from Style Avenue, and Style Avenue was no longer manufacturing any goods for Outerstuff.

Throughout the process of its dealings with Style Avenue, Outerstuff maintained complete and open transparency with all stakeholders that include FEASIS, FLA, MSN, and the WRC. Over the years, Outerstuff’s business practices upholding the university licensing requirements have resulted in positive collaborations with factory owners that have resulted in positive outcomes for workers receiving owed wages and benefits.

As noted above, Outerstuff is engaged in discussions with WRC to see if some settlement can be reached that would provide some portion of the unpaid severance, wages and benefits to Style Avenue’s former workers.