



January 9, 2024

To: WRC

Re: Style Avenue Factory Closing & Worker Compensation

This is a supplemental 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").

At the in-person meeting between representatives of Outerstuff and the WRC on December 27, 2023, Outerstuff asked for the opportunity to provide additional examples of the manner in which WRC's Report did 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 to Outerstuff and unbalanced.

WRC has incorrectly asserted that Outerstuff is obligated to pay back wages totaling approximately \$300,000 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, 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 ordered Style Avenue goods through a third-party agent, Star Land Group, as WRC knows, but which is not mentioned anywhere in the Report. WRC communicated during an in-person meeting that it only looked at the previous 12 months of activity at the factory, and that without regard to any other person or entity that might have been there previously, those 12 months determine who in WRC's judgment has the full obligation to make all historical severance payments. To borrow a phrase from the 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 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 asserts on page 4, in Section A that “during the many years it supplied Outerstuff, the Style Avenue factory was *frequently* cited for mistreatment of workers and for violating both Salvadoran law and the labor standards of universities and other licensors”. Similarly, the heading on page 4, Section B, of the Report reads “Outerstuff Had Notice Factory was likely to fail to pay workers’ wages and Severance Benefits.” In fact, prior to February 2023, the last WRC Report critical of Style Avenue was issued in August 2015 (involving back wages of approximately \$11,837.15) and the only other report prior to February 2023 was a report issued by the Fair Labor Association in July 2017.

In the same misleading fashion, the Report asserts on page 5 that “After being uncovered by the WRC and other organizations, many of these previous violations were eventually remedied; however, noncompliance with Salvadoran law and licensor standards—in particular, failure to make legally required contributions for workers’ healthcare and retirement—*remained a recurring problem* at the Style Avenue factory until its closure. These preceding events put Outerstuff on notice that Style Avenue’s owners were likely to fail to pay workers their legally due compensation if the factory closed.”

Again, there were no published reports that wage issues were a “recurring problem” at Style Avenue – no such reports were issued between July 2017 and February 2023.

The heading of Section C on page 5 of the Report, reads “Outerstuff was Informed of its Responsibility to remedy Nonpayment of Wages and Severance Benefits.” This is misleading because the notice the heading refers to was the oral notice given by WRC to Outerstuff in February 2023, when the wage issues were first reported by WRC to Outerstuff - 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.

The statement in the heading represents WRC’s opinion that the Code of Conduct obligates Outerstuff to be 100% responsible for all unpaid wages and severance benefits, although as a result of Outerstuff’s actions wages were paid through February 2023 and the severance benefits accrued as early as 2007-2012 for many employees, before Outerstuff received any goods from Style Avenue. Furthermore, the section ignores the fact that until 2020, all of the goods supplied by Style Avenue to Outerstuff were manufactured under orders from a third-party agent, Star Land.

WRC’s opinion that Outerstuff is 100% responsible for all back wages and severance benefits is asserted as a foregone conclusion in Part F on Page 7 of the Report, which contains the heading “Outerstuff Claims University Codes of Conduct Do Not Require It to Remedy Theft of Wages and Severance from Workers Who Made Its Collegiate Apparel” - a heading designed to paint Outerstuff in a negative light with its use of the word “theft”. In that section WRC asserts that it is axiomatic that Outerstuff is obligated to pay



all of Style Avenue’s workers’ back wages and severance benefits because for purposes of the Code Style Avenue’s workers are treated as if they were Outerstuff’s employees, and since Outerstuff would be required to pay all wages and benefits to *its* workers in order to be in compliance with the Code, then it must also do the same for Style Avenue’s workers. In a footnote, WRC alleges that this is because the term “Licensee” is a defined term which includes the actual Licensee’s manufacturers. The obvious and more plausible reason for this definition is to provide that the manufacturer is also obligated to comply with the Code, not that the Licensee and the manufacturer are treated as if they were the same entity and the manufacturer’s employees are also Outerstuff’s employees. This is a “preposterous” result.

WRC acknowledges that Outerstuff retained at its expense an independent labor attorney to quantify the arrears the factory owed and monitor their payment – but then says this was done “so the owner could be released.” Outerstuff never asserted that the purpose of the hiring of the independent attorney was to arrange for the owner’s release from prison – the purpose was to protect the workers’ rights. It is typical of WRC’s deliberate slanting of its report to be unfavorable to Outerstuff so as to characterize its admirable actions as being instead motivated by a fictitious concern for the owner’s imprisonment.

On page 6 of the report WRC makes the statement that because some of the violations discovered in February 2023 dated back to 2021, Outerstuff should not have waited until the owner’s imprisonment in 2023 to “take corrective measures” – even though WRC did not issue any warning until February 2023, after the owner was incarcerated. Once again, WRC misrepresents the facts in order to cast Outerstuff in a negative light.

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.

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.



Nonetheless 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 and will never be repaid. It was as a direct result of those advances and loans, and the work of the independent Salvadorian attorney, 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 dismisses this as an irrelevant argument on page 6 of the Report, but how could it be that the fact that the workers were able to continue to receive wages as a result of Outerstuff’s actions be irrelevant?

WRC asserts on pages 6-7 of the Report 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. The heading of Section E on page 6 of the Report paints Outerstuff in a negative light by stating: “Despite Recent Denials by Outerstuff, Style Avenue Remained an Outerstuff Supplier until It Closed.”

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. 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 the severance benefits owed to Style Avenue’s workers going back more than a decade before the factory closed.

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. None of this is reflected in the Report.

Outerstuff believes that its 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 Salvadorian 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, but none of this is reflected in WRC's repeated assertion that Outerstuff is 100% responsible for payment of all back wages and severance benefits to Style Avenue's workers.

Outerstuff will continue its 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.